



## DOCTOR OF EDUCATION (EDD)

### The role of a transnational education service business in higher education

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# **The Role of a Transnational Education Service Business in Higher Education**

Rosalind Irving

A Thesis Submitted for the Degree of Doctor of Education

University of Bath

Department of Education

January 2017

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## 1 Abstract

There is perceived to be an increasing role for private actors in education in different sectors and locations. This is seen as an effect of the increasing role of markets, competition and choice in policy activity. This study explores this from two perspectives: firstly, as an intrinsic case study that aims to shed light on the behaviour of a specific organization. The case examined is that of Pearson which is the largest education company globally. The global reach and extensive nature of Pearson's diverse activities suggest it may play an important role in education and is of value as an object of study. Secondly, the study examines business behaviour in relation to social policy theory and education policy. Theory suggests that businesses are models and vehicles for efficient service provision. One aim of this research was to discover how this might happen in practice. How might a business actually behave and how does this relate to what theory and policy assumes? The issue is approached through three core aspects of Pearson's business: globalization, digitization and higher education as they evidence policy themes of markets, competition and choice. The research was framed as a case study using two data types: documentary research and interviews with subjects connected to Pearson. It uses the lens of business practices to examine strategies as they are assumed to relate to other companies, to products, as involvement in education policy emanating from the UK and as practices at subject level. The research finds that Pearson seeks opportunities to manipulate neoliberal policy themes to its advantage. The fact of being a publically traded company has a significant impact on the organization's behaviour, which exhibits a monopolizing tendency, and is key to understanding Pearson's involvement in education.

## 2 Introduction

*I really would be impressed if some large corporation moved into the northwest and invested in the sports, recreation and education systems available rather than spend the drive to my home bemoaning the local authority and the pitfalls of living in an area that has no money to spend on improving local lives.....A slight rant I realise but an actual mother with real views who has luckily always paid taxes and does not live in an idealistic bubble where corporate companies are the villains of the piece!! Should we all wear sack cloths?*

Response to Guardian article on Pearson (Mansell, 2012)

*We didn't ask for Pearson and we don't want it.*

Anonymous teacher response to Pearson  
Project survey

According to one of its websites, Pearson is the world's largest education company, with 40,000 employees in more than 70 countries providing a range of education products and services to institutions, governments and direct to individual learners (Pearson, 2015a). The quotes above encapsulate two polarized reactions to Pearson's involvement in education: the first, the pragmatic views expressed by a mother, the second, feelings of disempowerment identifiable in a teacher's comment. They also highlight the motivation for this study which initially arose as a result of my own personal and professional experience. Every member of my immediate family was in some way accessing Pearson products: my son was encouraged to use Bug Club at school and was assessed by an educational psychologist using a Pearson owned metric; my daughter's school was using Pearson exams and books; my husband was teaching from Pearson books; my own work place was directly involved in a major Pearson project, and I was also looking at a Pearson related document (Barber, Donnelly, & Rizvi, 2013) in my doctoral studies. This realization combined with a growing awareness, as I pursued my studies, of theories relating to marketization and commercialization in education. I wondered if this apparent ubiquity mattered and if it did why? I decided that I would like to explore this question further through my research enquiry. I wanted to focus on business practices, moving from business to education and education policy, rather than the reverse. I decided that a finely grained account of how this is seen in practice could be a useful contribution to our

understanding of the private provision of education. As Stephen Ball, commented on Pearson: *They want to have indirect influence in policy to create opportunities for business expansion. It's a very well thought-out business strategy. I think we should be thinking about it, because a lot of it is going unnoticed.* (Mansell, 2012)

## Scope

I found settling on the scope of the research problematic at first because of the extensive reach of Pearson's activities: they have been likened to an octopus (Morgan, 2013). I wanted to be able to express this, whilst at the same time I clearly needed to focus to make the research manageable and purposeful. There appeared to be a gap in the literature on how education service providers might behave in relation to the commodification of education. I have found some studies that comment on specific companies, for example Kinser (2007) comments on large US for-profit colleges. In the main these seem either to come from business literature or from journalism, for example the work of Andrew McGettigan (2015) The education literature tends to focus on policy trends such as neoliberalism, marketization and commodification and / or relate these policy trends to education institutes (for example private higher education providers) or systems. Ball (2012) mentions specific companies, including a discussion of Pearson, in his work on policy networks and neoliberalism and points to the need for research to follow the money (Ball, 2012, p. 139). More recent research on edu- businesses, and on Pearson in particular, is currently emerging. Junemann and Ball (2015) discuss Pearson's involvement in low cost private schooling and Hogan, Lingard, and Sellar (2015) (2016) have used a network ethnography approach to look at Pearson and policy networks.

My aim was to keep the focus on the organization as a *business*, moving from this to implications for education. I therefore use the lens of business practices and strategy. I avoid a strong focus on geography, neither do I focus exclusively on a very specific area within education. This is because I did not want the context to be defined as a location, culture, institution or education system, as this would not accurately represent the case of Pearson as a global company. However, I did need to locate my data collection and also to give a manageable focus to my study. I therefore organized my data to focus on 3 key strands in Pearson's business strategy: globalization, digitization and higher education. This allows me to concentrate on the higher education sector as it combines with digital and globalizing business strategies. The study is not *about* higher education, rather it uses higher education as a focus to examine the nature of business behaviour in relation to



education. In terms of geography, I based my policy research on England and the UK in relation to these business strategies. As these strategies and policies target emerging markets, I also include a Pearson project implemented in my own professional context in the Gulf.

The starting point for the study was initially to find out more about Pearson and subsequently also to explore how social policy theories (of markets, competition and choice) that advocate commercial entities as model vehicles for those same policies actually manifest in practices through those commercial entities. How does business behaviour relate to social policy theory that espouses business as a model for social organization and activity? In the policy section I have explored what has happened in terms of education policy that connects to Pearson in the 3 business areas mentioned above. Here I have also looked at how social policy principles of markets, competition and choice are evidenced. I then explore how these social policy theories and business behaviour are talked about by people involved in practice. By 'practice' I mean people working in education or business but not involved in policy making. The aim of the study is therefore, firstly, to find out the 'what': what has happened in policy. Secondly it aims to uncover how theory, and policy emanating from that theory, relate to practices. Finally it aims to look at business behaviour as it actually happens. These aims correspond to the research questions below:

1. In relation to Pearson's three core business domains of globalization, digitization and higher education:
  - What connections are evidenced between Pearson and government policy?
  - How are the social policy principles of market, competition and choice characterized in policy and practices?
2. How is the role of company structure and behaviour characterized in practice?

### **3 Review of Literature**

#### **3.1 Introduction**

In this section I will discuss literature pertinent to my research. My aim in this review is firstly to consider how social policy and through that social institutions have come to absorb the notion of the corporation, firm or company as a desirable model for organizing social institutions and behaviour. This will cover the philosophical theories and ideas that have come to guide social policy (generally referred to as neoliberalism) and relevant aspects of social policy reform that have resulted from those ideas namely public choice theory and new public management. I then look at the nature of the firm in theory and finally I give an overview of education businesses.

#### **3.2 Theoretical Underpinnings**

In my discussion below I will focus on the philosophies that have come to represent for some what is desirable in guiding society and therefore what is desirable for education. The literature characterizes the current policy climate as one dominated by neoliberalism (Ball, 2007; Peck, 2010; Simpson & Taylor, 2013) emanating from economics but not confined to the economic domain. The metaphors and practices from economics are evidenced in many areas of life at subject level, in individual institutions and state and supra national structures in a global context (Allais, 2012). Neoliberalism is often described as hegemonic (a search in the Bath University library catalogue resulted in 102 results containing neoliberal and hegemony in the title). Despite its perceived dominance, in some of the more recent literature neoliberalism is characterized as nebulous and difficult to define. Peck (2010) discusses how this term has come to be used as a somewhat ubiquitous, negative and unexamined catch-all phrase for developments in policy and the public sphere over the recent decades (Peck, 2010, pp. 29-34). This may in part be connected to its heterogeneous origins – it has developed from different schools, from extreme forms of libertarianism to those associated with government intervention to ensure competition. The difficulty of definition may also stem from its perceived ubiquity, therefore making an encompassing definition problematic. Despite this, these theories are important as originators of practices which create particular effects on education. It has meant, not just that business is involved, for example through processes of privatization, but also that business behaviour is framed as desirable both for individuals and society, exemplified by the entrepreneurial self and the enterprise society (Foucault, 2008; Hoffman & Casnocha, 2012).

## Freedom and economic affairs

The policy ideology described as neoliberal originated in concerns with freedom. The limits on freedom to trade, monopolistic control and protectionism that existed within the mercantile system was famously commented on by Adam Smith who objected to the 'mean rapacity' and 'monopolizing spirit' of merchants and manufacturers (Green, 1987, p. 26) who used their influence as industries 'for the benefit of the rich and powerful' to obtain concessions from government. Thus what has been nominated as neoliberalism originates in part from an opposition to collusion between government and powerful interests. Freedom to trade and protection from abuses by concentrations of power could be seen as one of the original core beliefs of a liberal philosophy. This abuse of power was seen to come originally from commercial interests, then the aristocracy, and in more recent times from the fascist or socialist state (Hayek, 1944). The ability to conduct business affairs without interference has been linked with a wider notion of social freedom. As an example, Hayek saw past restrictions on economic freedom as also restricting 'personal and political freedom' (Hayek, 1944, p. 13). There was a desire to avoid totalizing state systems that constrained individual liberties, although this fails to address adequately issues of power. An ideology of freedom of the individual, which could be linked to the renaissance ideal, makes for a rather emotive sub text to policy and business behaviour and can be called upon as a justification for policy when necessary: *the state resorts to the narrative of freedom every time it assumes direct control over the training of the "people" under the name of the "nation", in order to point them down the path of progress* (Lyotard, 1984, p. 32). The origins of what is called neoliberalism remain as a powerful narrative of freedom that can seem appealing.

The market was conceived of as a mechanism to allow freedom whilst at the same time being in the best interests of society. This originated with the perceived desirability of government not intervening to protect vested interests (protectionism) and competition occurring to ensure that monopolies did not arise and thus prices could remain reasonable:

*To widen the market, and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can only serve to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens* (Smith, 1776, p. 213).

## Competition

Competition is therefore linked to freedom in economic matters and intervention to ensure it through the legal system was seen as key to the interests of the individual and businesses and through that of society as a whole. The intention was to avoid abuse of power through preventing concentrations of interests. Competition which would protect the public from extortion was not necessarily seen as meaning a completely laissez faire approach. Regulation was possible but should be limited: *where there is an exclusive corporation, it may, perhaps, be proper to regulate the price of the first necessary of life; but, where there is none, the competition will regulate it much better than any assize.*

(Smith, 1776, p. 123). Hayek strongly emphasized the importance of law and planning for competition: *in order that competition should work beneficially, a carefully thought out legal framework is required,*(Hayek, 1944, p. 47). This was manifested in the anti-trust laws of the US, designed to protect against concentrations of corporate power (Crouch, 2011, pp. 52-62; Truitt, 2006). Competition therefore is not necessarily a default 'natural' state but something that needs to be tended to: *to be liberal ..is to be essentially progressive in the sense of a constant adaptation of the legal order to scientific discoveries, to the progress of economic organization and technique* (Foucault, 2008, p. 161).

The idea of competition has become a ubiquitous way to describe 'society today' referring to many aspects of life. It has been conceptualized at national level by the idea of the competition state (Jessop, 2002). This is characterized in Jessop's framework as involving *explicit, strategically self-conscious management of the innovation systems and competition policy* (Jessop, 2002, p. 256) by the state. This is not only seen as a 'techno-economic paradigm shift' but also as social innovation: *the cultivation and promotion of an enterprise culture and enterprising subjects, and a wide range of organizational forms of competitiveness* (Jessop, 2002, p. 127). The result of this is said to be the promotion of *the notion of systemic or structural competitiveness....and generalizing this notion through adoption of wide-ranging international benchmarking of competitiveness* (Jessop, 2002, p. 272). Competition conceived at these multiple levels (from individual to state) is considered as a global phenomenon. There is 'proliferation of scales' of action for example with *global localization where firms pursue a global strategy based on exploiting and/or adjusting to local differences* (Jessop, 2002, p. 116). This re-articulation of scales of action has been affected by and in turn affects the nature of competition.

## Choice

The freedom to choose between alternatives, enabled through competition is central to market systems. Consumer choice is seen as a driver of quality and cost efficiency: *markets put the power in the hands of purchasers of higher education services, so the system has to be responsive to their demands. Advocates of markets define efficiency as the satisfaction of consumer wants at minimum costs* (Williams G in (R. Brown & Carasso, 2013, p. 16). Decisions on how to act under certain circumstances (to make choices) are seen to originate from self-interest, defined by Milton Friedman as: *pursuing those things that are valuable to you but which you can also persuade others to value* (Becker, 2006, p. 7). The nature of choice was taken up with the notion of people as *rational utility maximisers in all their behavioural capacities* (Buchanan 1978 in Green (1987, p. 92). In economic terms, utility maximizing means to make a rational decision based on self-interest:

*The definition of rationality implies that a rational person is self-interested, in the sense that her choices reflect her own preference ordering rather than somebody else's ...it specifies only some formal properties of the preference relation; it does not say anything about the things people prefer. The theory is silent about whether or not they pursue respectable and moral ends* (Angner, 2012, p. 23)

Self-interest here is not posited in moral terms as selfishness, choice theory in neoliberal thinking is seen as descriptive rather than normative: it has nothing to say about what should happen. It is also assumed that people consider opportunity costs when making a choice. That is to say they consider alternatives and consider what they would lose or gain by making a different choice (Angner, 2012, pp. 29-34). In order for this to be possible it is necessary to have access to all the information required to judge the opportunity costs.

This information is best given to us, according to Hayek through the pricing system:

*the more complicated the whole the more dependent we become on that division of knowledge between individuals whose separate efforts are coordinated by the impersonal mechanism for transmitting the relevant information known by us as the price system.*(Hayek, 1944, p. 52)

The 'impersonal' nature of the pricing system in allowing individuals to make choices was considered beneficial and superior, not only because it was regarded as an efficient method of transmitting information, but also because it was viewed as: *the only method by which our activities can be adjusted to each other without coercive or arbitrary intervention of authority* (Hayek, 1944, p. 38).

A development that arises from the emphasis on competition and choice is the increased importance in public and private organizations of information gathering and dissemination (facilitated by technology). This can be seen in the use of data such as league tables or indexes whereby institutions, individuals and even countries can compare and therefore compete with each other. Without information there can be no competition and therefore no choice.

One problem with choice is that people may choose 'wrongly' and this remains a conundrum of the liberal society. One way to deal with this can be seen in the development of 'libertarian paternalism', behavioural economics and the use of psychology. This has become known as nudge theory or 'choice architecture' after the ideas put forward by Thaler and Sunstein (Richard H. Thaler & Sunstein, 2009; Richard H. Thaler, Sunstein, & Balz, 2010). An example of this is the Cabinet Office Behavioural Insights Team, (Department for Business Innovation and Skills Cabinet Office Behavioural Insights Team, 2011, p. 6) whose remit included an investigation into consumer choice. To sum up, the key ideas I have discussed are: freedom in economic affairs as represented by the market and competition, emanating from a belief that concentrations of power are against the best interests of the individual and thereby of society. Choice guided by self-interest and satisfaction follow from this.<sup>1</sup>

The above mentioned ideas although originating from economists were not only applied to economic affairs. Hayek for example, also had something to say about the organization of society more generally and did not see economic ideas as necessarily separated from the social (Migone, 2011). He saw 'competition as the principle of social organization' (Hayek, 1944, p. 38). Neoliberal ideas became part of public service provision policies, not just economic policy, and redefined the public sector on a global level. In this next section therefore, I will look at how neoliberal theories regarding trade and individualism came to influence the collective through their application to institutions.

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<sup>1</sup> These ideas could be summed up in Milton Friedman's words:

*In place of the nineteenth century understanding that laissez-faire is the means to achieve ( the goal of individual freedom), neoliberalism proposes that it is competition that will lead the way...The state will police the system, it will establish the conditions favorable to competition and prevent monopoly, it will provide a stable monetary framework, and relieve acute poverty and distress. Citizens will be protected against the state since there exists free private market, and the competition will protect them from one another. (in Peck (2010, p. 3)*

### 3.3 Theories and Social Policy

The previously mentioned neoliberal thinking provided a framework for changes which were introduced from the 1980s. There was a move to financially motivated cost cutting measures and an increasing interest in efficiency: *in the OECD countries, government expenditure per capita, measured in purchasing power parities, almost doubled between 1980 and 1990. Similar rates of growth in public service staffing and in costs were seen in many developing countries* (World Bank Institution, 2000, p. 7). This led to measures designed to cut public costs through a desire to reconfigure state structures in the interests of efficiency. An added factor was a perception of poor public service. This led to the creation of what has been called new public management:

*Besides the pressures of rising fiscal deficits, made more pressing for much of the last 15 years by quite high interest rates, and the demands of voters for better services, there were also new approaches to public administration being promoted in various places throughout the globe. This new way of thinking about the state's role in the society represented a shift from the traditional idea of career-oriented professionals following a civic sense of duty in the public service to one which emphasised competition within state services and targets that could be identified by quantitative data.* (World Bank Institution, 2000, p. 9)

The Weberian model of public administration based on rule governed behaviour did not necessarily create the efficiency now required to improve performance and therefore efficiency (McCourt, 2013). New Public Management reflects the thinking of Niskanen, Buchanan and Public Choice Theory (Mueller, 2003), which are key to much of what is currently happening in public service provision. Public Choice is a theory that explored the nature of choice in institutions. An important aspect of Public Choice Theory is the contract. Its 'contractarian vision' is explained in Brennan and Buchanan's work in relation to politics:

*In its most general terms, the contractarian paradigm for politics is the exchange paradigm, and analysis proceeds most readily in the familiar illustrations of trading in commodities. So long as the source of value is exclusively located in individuals and there is no differentiation among persons, the whole enterprise of politics can be viewed only as a complex many-person system of exchanges or contracts. Individuals must be conceived to join together to explore and ultimately to agree on the establishment of collective entities or arrangements that prove mutually beneficial.* (Brennan & Buchanan, 2000, p. 30).

The metaphor of exchange and contract through mutual agreement can be applied to different social settings partly because of its view of 'homo economicus' (Brennan & Buchanan, 2000, p. 245) as a stable entity: *the relevant difference between markets and politics does not lie in the kinds of values/interest that persons pursue, but in the conditions under which they pursue their various interests. Politics is a structure of complex exchange among individuals, a structure within which persons seek to secure collectively their own privately defined objectives* (Buchanan, 1987, p. 245).

These ideas on exchange and contract are concerned with method rather than content. In the same way that there is no external source of value in trade so there is no external source of value in politics aside from what is mutually agreed: *the contractarian derives all value from individual participants in the community and rejects externally defined sources of value, including ``natural rights'* (Brennan & Buchanan, 2000, p. 25). The contract is an example of a device, originating in business that has spread to other areas of life (in education for example with student behaviour contracts)

Public Choice thinking is important because it forms a link between the notion of the self-interested individual and the need for public action through institutions such as education. The individual involved in public service is seen as acting from self interest in the same way as all other individuals in society. The means to maximize value in self-interest is through the process of exchange and this is carried over from market exchange and applied to other areas such as politics: *the differences in the predicted results stemming from market and political interactions stem from differences in the structures of these two institutional settings rather than from any switch in the motives of persons as they move between institutional roles* (Buchanan, 1987, p. 245). Thus the concept of a homo economicus transferred from one institutional setting to another opens the way for the logic of the transfer of theory from one institutional setting to another. Exchange in markets can become exchange in politics and public administration, education and so on. Where Buchanan was interested in constitution or politics, William Niskanen, also seen as part of the Public Choice School of thinking, took the notion of the self-interested individual and applied it to bureaucratic settings. Because self-interest for bureaucrats would lead to inefficiency (they would wish to expand their budgets for example), it was considered necessary to introduce new organizational behaviours into public administration settings. According to Niskanen bureaucracies should not be run as monopoly providers but should compete in order to increase efficiency:

*Each bureau would operate in a competitive environment and face a highly elastic demand function. The creation of new bureaus would be encouraged. Existing bureaus would be*



*permitted and encouraged to produce products now provided by other bureaus. 'Antitrust' restrictions would prevent collusive behaviour to divide products or output among bureaus and to prevent the dominance of one bureau in a single product.....The resulting bureaucracy would consist of many single and multiproduct bureaus without any obvious relation (in use) of the products offered by any single bureau. (As such, it would look a little like the corporate sector of our economy.)* (Niskanen, 1968, p. 304)

This desired efficiency created by competition between bureaus is seen to mirror the corporate world. Management strategies used in private businesses have been taken as the model that could produce desirable behaviour in public institutions: *total quality management (TQM), business process reengineering (BPR), strategic management, benchmarking, strategic management initiatives, employee empowerment, re-engineering processes and technologies, downsizing, managing costs* (Chi-Kuang Chen, Yu, & Chang, 2006, p. 1302). The assumption was that a privately run business in a competitive setting is necessarily more efficient than other types organization (Niskanen, 1968). Business concepts were applied to public administration as a means to improve services: *New Public Management has been driven by four management imperatives: delegation, performance, competition and responsiveness to clients'* (McCourt, 2013, p. 8).

These concepts have come to shape the way that individuals as well as organizations might operate (the entrepreneurial self, continuous improvement in performance) and may be seen to circulate through many aspects of society as the development of human capital: *what is the function of this generalization of the "enterprise" form? On the one hand, of course, it involves extending the economic model of supply and demand and of investment-costs-profit so as to make it a model of social relations and of existence itself, a form of relationship of the individual to himself, those around him, the group, and the family* (Foucault, 2008, p. 242).

In the above section I have reviewed the philosophical or ideological backdrop to the concrete 'real' aspects of my review. These theories are important as they leave traces, creating metaphors and discursive devices for events and behaviours which propose businesses or profit seeking economic institutions (Niskanen, 1968, p. 305) as efficient and competitive models. In the following sections I consider education businesses as businesses and the preliminary implications of that for education evidenced in the literature.

### **3.4 The Nature of the Firm**

One aim of this enquiry is to investigate business behaviour in education so in this section I will look at the nature of the firm as discussed in theory. I will give a brief outline of how the multinational and publicly traded firm has been characterized and how preliminary implications for education are evidenced in the literature. I found a bias in the literature related to education businesses towards the US and a limited coverage for the UK, perhaps due to differences in the development of for-profit education.

#### **Shareholder Ownership - Publicly Traded Companies**

One significant feature is the concept of a publicly floated corporate body as a means to raise finance through stocks which entails an obligation to stockholders. Any company with stock has to consider payment of dividends to the stock holders which can be seen as a reward for their risk in investing their money (Kim, 2013). In UK company law dividends are only to be paid out of profits, return on investment therefore is dependent on profit. The extent and nature of dividend payments vary but it is within the interests of the shareholder to maximize returns on their investment. In the education sector as an example, Kinser (2007) comments on how drops in value occur when companies fail to meet Wall Street's expectations for quarterly growth (Kinser, 2007, p. 227). He cites the example of John Sperling the founder of Apollo Education Group who noted that investors expect consistent growth coupled with good profit margins (Kinser, 2007, p. 233). This has implications for education companies. In the US private not for-profits have, over time, developed governance based on mission statements that focus on service to society, whereas for-profits are governed by corporate law jurisprudence (Kim, 2013) and requirements for profit making. The needs of the shareholders who do not actually run the company or necessarily have much knowledge of its business activities are protected through this, as their agents (company managers) have measurable outcomes and can be replaced if returns are not satisfactory (Crouch, 2011, pp. 103-109; Truitt, 2006). In theory this should mean that the risk of investment is minimized. However there has been a move towards investment by fund managers whose aim is not to maximize returns on shares but the size of assets they manage (Crouch, 2011; Truitt, 2006).

These features are not unique to transnational companies (TNCs) but are true for any company with shareholders. However the size and diversity of TNCs could mean that shareholders are more likely to be ignorant of the details of business activities and detached from the business. This may have implications for education for example Kinser

(2007, p. 242) cites research that suggests: *students in for-profit institutions have lower levels of civic engagement than their peers in public sector institutions ...the ad hoc geography of remote corporate owners may be a part of the explanation.* Hall and Appleyard (2011, p. 13) see private shareholder ownership in education as resulting in corporate governance and hence decision making in terms of developing educational services being significantly different from those of higher educational institutes (that may run some courses for profit). As an example Kinser (2007) found that: *shareholder campuses, although offering a similar mix of programs, are more likely to concentrate on programs in computer science, business and health care...this pattern suggest the narrower curriculum focus of shareholder campuses* (Kinser, 2007, p. 229). Hall and Appleyard (2011) argue in their particular case (attempts at destabilizing MBA credentials by for-profit firms in London) that the importance of profit means developments in these business education services are driven by the needs of investment banks through offering *tailored and flexible services and espousing an ideological commitment to the ability of the market to better meet the demands of customers than the more heavily regulated higher education sector* (Hall & Appleyard, 2011, p. 19). *The process of making markets is precisely what employees of business education firms are engaged in as they seek to develop their market share* (Hall & Appleyard, 2011). Thus the fact that companies are for-profit (as opposed to public entities that engage in profit making activities or private non-profit organizations) and in particular if they are publicly traded means that they may be bound by their nature or structure to behave in certain ways.

### **Incorporation and Limited Liability**

Incorporation means that a company has 'rights' such as property rights in the same way that an individual does, although it is in fact a 'fictitious' person and also a form of property (Rothkopf, 2012). This has enabled corporations to demand protection and application of rights that would have been intended for 'natural' persons. Examples of this are discussed in Rothkopf (2012). Thus for example, as federal law in the US has extended legislation that has social goals, corporations have been able to demand protection under the same laws. A second aspect is that they are immortal and cannot be shut down by governments. The immortal nature of corporations means that capital is accumulated over time and corporations can therefore have vast wealth at their disposal, wealth that gives them power to act in ways that individuals and in some cases governments cannot. As Ball puts it *money as profit is significant* as it signifies power to *get things done* (Ball, 2012, p. 141)

Another important aspect of the corporation is that it is set up to protect owners (shareholders) and those managing it from personal risk. The corporation is the legal entity not individuals who are protected from liability (unless there is criminal activity). This limited liability calls into question the notion of the entrepreneurial responsible individual in neoliberal thinking. Businesses are organized into corporations to enable raising of finance but also to protect those in it from direct personal responsibility which is done through acting as a group (a corporate body) not as individuals. What is more this approach is seen to be the most dominant and successful method of doing business (Truitt, 2006, p. 14) In terms of individual responsibility, for large TNCs, the most direct connection could be said to be between manager and the body of shareholders, or increasingly to institutional investors who act on behalf of investment entities such as pension funds and insurance companies (Simpson & Taylor, 2013) . Again this is not unique to TNCs but to all corporate bodies, however there may be unique implications with regard to liability and TNCs as for example issues surrounding their location for tax purposes or adherence to regulations when operating globally.

### **Effect of Size**

Another characteristic of the firm is that there may be a 'natural' tendency towards consolidation and expansion: *the paradox of monopoly for a liberal economics .... the idea that monopoly is actually part of the logic of competition* (Foucault, 2008, p. 76). This can happen through organic growth and/or mergers and acquisitions and has led to the supersized TNCs that we see today. In the education sector this is evidenced in the large scale US higher education institutions. Kinser (2007, p. 217) writes on the transformation of the for-profit sector from *small mom and pop operations to giant shareholder-owned chains that can tap into private capital markets to finance their expansion*. To highlight the size of these, the largest of the for-profit US corporations in terms of market value is the Apollo group (worth \$14.7 billion in 2007) which had 27,469 students and 33 campuses when it became a publicly traded company in 1994. By 2004 that had risen to 255,600 students and 82 campuses. The importance of size and growth may have educational implications. As an example with the US for-profit HEIs there is a potential of 'brain drain' from non-profit or public institutions if growth of for-profit HE continues since for-profits grant very few post-graduate credentials (Kinser, 2007).

As a company expands to become a transnational entity it inevitably changes its nature. Forsgren (2013) outlines effects of size in his summary of theories of international firms. In internalization theory, which relates to changes affected by size, there are three aspects

of relevance: information asymmetry, small numbers bargaining and internalization of business activities. Information asymmetry is seen to cause uncertainty in the market. This is considered to be at a higher level in knowledge intensive businesses (Forsgren, 2013, pp. 36-39). This is because the knowledge is seen to be tacit or embedded and difficult to transmit to other business that might take on different activities on your behalf: *in internalization theory, the firm is primarily an alternative to the market as a place in which to coordinate economic activities. It is argued that sometimes, and mainly because of the knowledge content of the products in question, the market fails to carry out such coordination in an efficient way* (Forsgren, 2013, p. 53). Another difficulty with knowledge is with firms seeking to limit access to knowledge by competitors which is problematic from the perspective of the knowledge economy (Stiglitz & Greenwald, 2014). This could be particularly significant for the higher education sector which presumably 'deals' in knowledge. A second consideration is small numbers bargaining where a dependent relationship develops between the firm and those it has contracts with. This could happen when there is 'asset specificity' (Forsgren, 2013, p. 40) in which resources are adapted to a specific counterpart making it difficult to use alternatives. These two aspects combined with the cost of transactions across diverse organizations in different locations can lead to the company internalizing more business activities. Thus the TNC may attempt to eliminate the imperfections in the market by taking on more activities under its own roof and through this expanding and diversifying. In a sense the firm could be seen to be acting in a similar way to Keynesian governments in providing for itself in order to reduce transaction costs and rationalize activities under one roof. Firms in this model seek to avoid or mitigate the market when it suits rather than seeing it as their 'natural' environment

## **The External Environment**

### **Legitimacy**

Another significant aspect to corporate behaviour relates to the external environment. This is a focus of Institutional theory (Meyer & Rowan, 2007; Powell & DiMaggio, 1991) where organizations are seen to be influenced by, and also seek to influence, the environment which includes institutions, values and norms of society: *the socially constructed normative worlds in which organizations exist* (Powell & DiMaggio, 1991, p. 361). Forsgren (2013) calls it the political firm when viewed through this theoretical lens. He also notes, that there is two-way interplay with adaptation as the environment can adapt to suit the firm and vice versa. The firm is seen as seeking to adapt to or adapt the environment in

order to gain legitimacy. This is of crucial importance for education companies where reputational damage can have severe effects. An example of this is discussed in Kinser (2007) in relation to the demise of a number of large education corporations. These were characterized as 'pure play' companies whose primary business was education as opposed to more diversified companies with education as a subsidiary. Kinser describes how despite being prominent in the 1980s none now survive. He ascribes this to a *reputation for shady practices... and when scandal hit , the companies found it impossible to continue* (Kinser, 2007, p. 221). This susceptibility to reputation damage is echoed in the business literature as a risk for investors in education businesses: *the industry is susceptible to 'headline' risk. An adverse ruling or even just the hint of investigation from the U.S. Department of Education can cause a sharp decline in valuation* (Dalavagas, 2012).

Legitimacy is also enhanced through branding. For example, a consultant advising on investment in education businesses comments on: *the criticality of having a brand that resonates not just with students, but probably more importantly with employers. This is critical to differentiating yourself in this market and creating demand* (Petter & Appert, 2013, p. 8). Branding requires differentiation: the firm needs to separate itself out from others in order to be a preferred choice. The implication of this for marketized education is that a varied range of provision is needed to create a market. A diversity of services would provide opportunities for brand choice.

Legitimacy is also linked to the social role a corporation plays and to the notion of corporate social responsibility (CSR). CSR can be related to good governance and framed as defensive in nature: it could be an attempt to deflect potential regulation (Lindgreen & Swaen, 2010, p. 3) and is also a response to regulation or codes of conduct and guidelines (Simpson & Taylor, 2013, p. 229). It can also be interpreted as a response to demands from the customer for ethical behaviour for example in relation to animal or human rights or fair trade. In this sense it can be seen as a legitimacy seeking activity in line with institutional theories of the firm. Use of social media and the internet have intensified the effects and speed of customer responses to unethical behaviour.

Reputation management is an increasingly important aspect of corporate activity: *organizations increasingly use CSR activities to position their corporate brand in the eyes of consumers and other stakeholders, such as through their annual reports.*

(Lindgreen & Swaen, 2010, p. 2). CSR does not correspond in a simple fashion to ideology as critics of CSR could come from both the right and left of the political spectrum. On the one hand it could be argued that it is the job of a democratically elected government to

take care of issues to do with the collective and not that of business. At the same time it has also been argued, as Milton Friedman has done, that businesses have no right to interfere in social matters but should stick to value maximization for shareholders: *few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can* (Friedman 1962 in (Simpson & Taylor, 2013)

Crouch sees the development of CSR as symptomatic of the development of the corporation as a political actor. The environment in which the multinational firms operate is political in the sense that they must *comply with institutions, legal, cognitive and normative constituencies* (Forsgren, 2013, p. 130). A firm can be said to have *stepped out from being governed by the market to the point where it is a political actor in its own right* (Crouch, 2011, p. 125). Perhaps because of their size and the resources (both in terms of finance and expertise) they are able to command, the social role of corporations is extending. This is not seen by Crouch as the same as lobbying activities: *the representatives of today's TNCs are not in the lobby, outside the real decision-making space of government at all. They are right inside the room of political decision-making. They set standards, establish private regulatory systems, act as consultants to government..* (Crouch, 2011, p. 131). If a corporation can be seen as playing more of a political role in dealing with aspects of public life it can also be 'a centre of political action in its own right' (Crouch, 2011, p. 142). Therefore it is acted upon (by customers and government) as well as acting upon. The actions of civil society embodied as the customer/consumer are seen as a possible counter point to the power of TNCs. However the 'consumption' of education does not necessarily parallel consumption of other goods where there is an assumption that one can walk away from the product. For example, the effects of one's investment in education are not necessarily noticed immediately and therefore complaints about the 'product' may not be straightforward. There is also a sunk cost effect (Angner, 2012) where once invested, for example in using a particular online platform or having enrolled in a course, it may be difficult to walk away.

### **Regulation and Stability**

A stable, predictable climate in which to operate is another significant environmental factor. Businesses dislike uncertainty in the environment and adopt strategies to minimize this where they can. Uncertainty for education businesses arises to a significant degree from the actions of governments in the form of regulation and legislation, as well as the

commercial climate. For example in relation to investor advice on US education companies we find the following comments:

*a couple of years ago the regulatory issues and regulatory uncertainty was the major factor that was impacting stocks and weighing on valuations ...the Department of Education is going to revisit its gainful employment rules in the next year and that creates a bit of uncertainty in terms of how the regulatory structure may play out.* (Petter & Appert, 2013, p. 10)

*One of the reasons challenges have persisted is that we do not see the light at the end of the tunnel so to speak from Washington. On the legislative side members of Congress don't seem to be agreeing on anything* (Volshteyn, 2013, p. 11).

In relation to internationalized companies regulation is also significant. For example Kinser (2007) comments on the level of regulations within individual states in the US: *acquiring corporations may do better when they look overseas for new campuses but the legal and regulatory environment for for-profit higher education in many countries is uncertain* (Kinser, 2007, p. 240). Secondly there are issues at the level of global education as with the Global Agreement on Trade in services (GATS). Verger (2009) comments on how a larger private sector is connected to a lower level of liberalization commitments in the GATS negotiations as is government subsidizing of higher education. The case of the US exemplifies these factors. Verger (2009) suggests that the low level of liberalization commitments may be explained by lobbying by the education sector who do not wish to *share the cake of state funding with foreign suppliers* (Verger, 2009, p. 236). He describes this behaviour by governments as akin to mercantilism with negotiators seeking to maximize exports from their national industries while minimizing imports to key sectors of the domestic economy (Verger, 2010).

For education businesses, adherence to regulation avoids charges of 'shady' behaviour. Accreditation through recognized bodies or being a provider of accreditation in your own right also enhances legitimacy. Although companies are typically portrayed as being averse to regulation, it is also perceived as having potential to act as a protection against reputation damage: *significant gaps exist in the regulation of for-profit institutions but ... closing these gaps could strengthen the industry and improve the product by benefitting the good actors within for-profit higher education* (Kim, 2013). Kim argues for the industry to self-regulate as he sees government as being unlikely to be able to do so: *expensive, expansive new regulation of for-profit entities is something the public would be unlikely to support, making improved government regulation of academic quality at for-profit institutions a dubious prospect* (Kim, 2013). Business strategies relating to accreditation



are discussed in Hall and Appleyard's study on MBA's where large multinational education service companies focus on demonstrating the relative quality of the education they offer (Hall & Appleyard, 2011, p. 22). They mention two strategies. Firstly, they compete with the cultural capital of established MBA's by using the accreditation that they secure to offer regulatory-based education as a marker of quality. (2011, p. 22). Accreditation can be viewed as an important proxy or short hand for quality and through that establishment of reputation, brand and legitimacy. In the case of the large US education corporations Kinser suggests that Wall Street owners have sought out regional accreditation as a mark of legitimacy for what might at first glance seem suspect (2007, p. 243) and suggests a potential for accreditation shopping by corporate owners seeking an accommodating evaluation (2007, p. 243). Secondly in the case of the destabilization of MBAs discussed above, multinational education companies have created a global generic credential (Hall & Appleyard, 2011, p. 23). This is a strategy framed as being by multinationals for multinationals: one multinational provider able to deliver to one multinational customer. This represents a globally scaled enhancement of legitimacy and also frames accreditation as a commercial prospect. In the US, accreditation of non-profits in HE has historically emphasized mission (evaluating the unique aspects of an institution ) and has been carried out by academic peers and used as an opportunity to share information and best practice (Kim, 2013). Kim sees this as not applicable to for-profits who are inherently unlikely to want to share information with competition and would rather follow the minimum adherence necessary to be able to access government loans. If this is the case it raises issues associated with 'dealing' in knowledge as discussed by Stiglitz and Greenwald (2014) where information sharing is seen as an important aspect of a knowledge economy. Access to information is also a key principle of Hayek's view of competition in a liberal society.

### **3.5 Overview of For-Profit Education Businesses**

In this section I will give an overview of for-profit education businesses and relate this to the three strands of business strategy I will be examining in my research data, i.e. higher and digital education within a global context.

#### **The Education Service Industry – Problems With Definitions**

'Education service' is not clearly defined as a separate industry sector and I found difficulty in locating literature that covered as one category the nature of the organization I will be looking at. Developments in the General Agreement on Trade in Services (GATS)

have led to attempts to define and measure the trade by supra national organizations such as the World Trade Organization. A feature of discourse in the GATS is that it is characterized on the one hand as a series of explicit and highly codified rules and regulations. (Robertson, Bonal, & Dale, 2002). At the same time the difficulty of accurately interpreting the language is also commented on. For example, a training module commissioned by the United Nations (Steger, 2003) discusses the scope and definition of the GATS. Here we find a detailed discussion of terms which includes comments such as: 'this definition.. does not provide a precise meaning to the phrase' (Steger, 2003, p. 6), Article 1:3 does not define the term "services" precisely"....this provision gives a very broad scope' (Steger, 2003, p. 9) It seems there is a deliberate inbuilt scope for interpretation within the text and this is therefore not a source for a precise account of 'education services'. The most recent OECD report I found attempting to measure education services dates as far back as 2002 in a working paper (Larsen, Martin, & Morris, 2002). The authors state that *existing data about the level and content of trade in educational services are scarce and difficult to evaluate.*(Larsen et al., 2002, p. 3) Statistics on trade in educational services are classified under several headings and are often lumped together with other activities. It is therefore not easy, and sometimes impossible, to identify "trade in educational services" using standard statistics on services trade. The trade data used in the working paper were collected according to the OECD/Eurostat classification. In this classification, "trade in educational services" is counted under the headings: *personal travel, Education-related expenditure; miscellaneous business, professional, and technical services. Other.* (Larsen et al., 2002, p. 4). The second category, includes educational training and testing services and cross border e-learning. However it is not possible to separate out the trade in education services and most of the data refers to overseas students in higher education: *Unfortunately, it is not possible in the OECD data base to separate trade in educational services from a number of other services included in "936 miscellaneous business, professional, and technical services. Other".* (Larsen et al., 2002, p. 4)

Although the term educational services is used, in fact the data applies only to higher education and the general conclusion of that report is that there is significant trade in higher education services (\$30 billion in 1999), and that e-learning, is likely to have a major impact on this trade in the future.

If we look at more business orientated documents there are also some challenges in obtaining data on a distinct sector. Consultancies such as Mckinsey and Boston Consulting Group offer reports only on specific aspects of educations services such as e-

learning (Bailey, Henry, McBride, & Puckett, 2011; McKinsey & Company, 2013). In the Barnes reports, which are market research documents, there are three sectors that could be included. Firstly, colleges and universities which includes only institutions. Secondly there are educational support services, which are defined as: *establishments primarily engaged in offering educational courses and services, not elsewhere classified* (Barnes & Co., 2014, p. 31). The third sector is book publishing. Each of these is identified as distinct industry sector. Each of these on its own does not account for the areas covered by the company I am exploring. Another business information company, Datamonitor (2005), provides an overview of 'Global Education Services' which mentions trade and business institutions, educational support services and other (which accounts for 32%). Of the 6 companies discussed as significant in the report, 5 are institutions or own institutions (e.g. Apollo Inc.) and one provides 'correspondence courses'. It predicted the education services so defined to reach a value of \$162.7 billion by 2009 (Datamonitor, 2005, p. 8). I have found two business oriented articles that discuss the nature of the education business sector which again is seen to equate to higher education (Volshteyn, 2013) (Petter & Appert, 2013). These both originate from the US and relate to US businesses. In short, I have found it difficult to find literature on the education service industry that defines it satisfactorily and measures its value. There is a tendency to focus on education services as equating to education institutions, usually higher education, leaving services defined as everything else or a rather vague 'other'. Consultancy and research for example is not accounted for separately. I have found work that relates to specific aspects of the industry for example on commodification of higher education, policy effects such as GATS, privatization and public private partnerships or specific cases relating to private actors within education. These relate to institutions, rather than a more generic services perspective. As it is difficult to give an overview of the education service industry as a distinct and defined sector, I will therefore give an overview of two sectors that are identifiable and relevant to my study: the higher education and digital education sectors, seen within a global context.

### **Overview of For-Profit Business Landscape in Higher Education**

The expansion of higher education is recognized as a global phenomenon and can be seen in the figures produced by global organizations such as OECD and UNESCO. The causes of the expansion are various (Altbach, Reisberg, & Rumbley, 2009). One clear perception is that it is demand driven, as a result of the strong linking of educational attainment to economic (human capital) development both at individual and national level.

The discourse of the knowledge economy and competition encourages this 'race to the top' (P. Brown, Lauder, & Ashton, 2011). Higher Education is now characterized both as a means to economic progress as well as site of economic activity in itself. This has been accompanied by challenges to existing models of funding in many countries. This combination has led to an increase in marketization (R. Brown & Carasso, 2013) which includes such developments as: public institutes engaging in activities to raise revenue (for example, marketing aimed at attracting high fee paying overseas students), an increase in the number of privately funded institutions and collaboration with various organizations that are able to provide finance.

In considering the literature on higher education businesses focused on for-profit providers, as opposed to marketization of public institutions, I found that much of the literature emanates from the US (Cellini, 2012; Fried & Hill, 2009; Kinser, 2007) most likely due to the more established and widespread nature of for-profit HE, as compared to the UK for example. In general, the business literature gives the following overview: firstly, the higher education market is highly competitive globally and this level of competition is seen as a potential threat to existing companies. However, there has been an increase in demand for online services: *companies can drive growth in margins using the online delivery method, cutting costs in terms of staffing and administration whilst fuelling massive increases in volumes from the huge international online population* (Datamonitor, 2005, p. 13). The sector has been characterized as countercyclical as opportunities for future growth were also predicted to be created by rising unemployment, which can actually benefit education services companies: *as competition for jobs intensifies, people will seek extra education and qualifications with the aim of making themselves more attractive to potential employers* (Datamonitor, 2005, p. 14). At the same time there is perceived to be a trend of rising demand from working adults (Dalavagas, 2012) who, although in work, wish to enhance their employment prospects. This is seen as an effect of globalization where: *due to global outsourcing, there is increasing pressure on workers in developed countries to enhance their skills* (Dalavagas, 2012). In relation to geographies, emerging markets are seen as potential growth areas.

I also examined literature from supra national organizations (UNESCO, OECD and WTO ) in order to ascertain which features were viewed as significant in for-profit HE. Firstly, on a global scale the for-profit sector is seen to be small: *the private for-profit sector is still marginal in a large majority of countries, and even more so for advanced research*

*programmes* (Vincent-Lancrin, 2009, p. 279). Despite being relatively small it is said to be the HE sector that is growing most rapidly. As with the business literature, there is seen to be more growth in developing regions (those framed as emerging markets in the business literature), although developed regions also see some growth: *legally for-profit institutions constitute a small higher education sub-sector but there is notable growth in all developing regions* (Altbach et al., 2009, p. xiv). In developing countries, for-profits can be framed positively as a means to fulfil unmet demand through collaboration or acquisition of local institutions by overseas companies (OECD, 2009). At the same time there is a negative framing where developing countries are described as vulnerable to the activities of for-profits, for example in terms of regulation :

*developing countries, unable to meet growing demand for access to higher education, are most vulnerable to the entrance of for-profit providers and least well positioned to regulate their activities* (Altbach et al., 2009, p. 63). It can be the case that *the international dimension can actually be interpreted as a mechanism for circumventing national regulations and restrictions* (Teixeira, 2009, p. 248).

Another feature mentioned is that for-profits mostly inhabit the non-elite domain of HE globally, which is also seen to be fast growing (Altbach et al., 2009, pp. 86-87) 'Second tier' public institutions are seen to be those that are most in direct competition with for-profits and this is contextualized as a global effect:

*Despite some shifts in resource sources and student composition, elite institutions continue to be the national standard bearers of prestige and high quality. Globalisation has often had a greater direct impact on second tier institutions. They might have to merge or otherwise reorganise in order to address new forms of competition, for example from foreign for-profit institutions* (Marginson & Van der Wende, 2009, p. 49)

The for-profit sector is characterized, as with business literature, as most significant in the US. This is partly due to the nature of the US HE sector which historically has a strong private (although not necessarily for-profit) component. The bias in the literature towards the US may also relate to the availability of data which, as mentioned previously, is difficult to access: *The available information on for-profit private higher education is still very limited as well as data on its actual size on a global scale* (Teixeira, 2009, p. 245). The US for-profit HE sector which is seen as a fast growing sector is distinguished by a number of very large companies who have grown mainly through acquisition strategies.

Acquisition, as opposed to opening new branches, mitigates competition effects. There is a preference for publicly traded companies to own degree granting institutions: *75% of the campuses owned by publicly traded companies are authorized to grant degrees,*

*compared to 26% of independently owned campuses* (Kinser, 2007, p. 228). Another feature is the importance of what Kinser terms distance education and although he does not clarify if this is equivalent to online, this is likely to be the case. These companies are now *seeking international expansion as the market becomes more competitive and saturated in the US* (Kinser, 2007): a growing part of the for-profit expansion is taking place internationally and operating across national boundaries.

Finally, the literature from supranational bodies discusses for-profit HE in relation to GATS, as HE is seen to be the educational sector most under pressure in relation to trade liberalization (Verger, 2009). Higher education is subject to pressure to commercialize under GATS due to the charging of fees and because recent expansion of HE provides the prospect of commercial expansion: 30% of all students in higher education are said to be in private institutions (Council for Trade in Services, 2010, p. 6). In cross border supply the highest number of commitments to liberalize is in higher education as compared to the other educational categories (Council for Trade in Services, 2010, p. 10). Publicly funded private institutions such as English universities may find that charging overseas students high fees, and subsidizing home students, could be considered a barrier to trade under GATS. Overseas students could also argue for the right to access government loans. The effect on public funding is a complex issue as the definitions of public and private are called into question. According to article 1.3 "services" includes any service in any sector except services supplied in the exercise of governmental authority where *a service supplied in the exercise of governmental authority means any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers* (WTO, 2014). As has been pointed out in the literature, (Knight, 2002; Robertson et al., 2002) these terms are open to interpretation but are particularly pertinent for any country with a mixed 'economy' of education. If a country has adopted an element of privatization or mixed provision it could be argued that 'public' services with elements of commercial activity are subject to the GATS agreement (Robertson et al., 2002, p. 483) but also that for-profit providers should have the same rights of access to funding as public institutions. In relation to developing countries who have limited potential to export education services, it is possible that education could be used as a 'bargaining chip' where *concessions are made in education in exchange for other industry sectors receiving advantages* (Verger, 2010). The implications of GATS are predicted to be an increase in *the influence of for-profit providers of education and educational services whose products are rarely adapted to local priorities or need* (Altbach et al., 2009, p. 35). Aside from the GATS, the

Transatlantic Trade Investment Partnership (TTIP) between the EU and the US offers further potential for opening of markets to for-profit entities. This is an ongoing and very recent development of potential significance.

In summary, for-profit HE globally is characterized as a small sector growing in developed and (more rapidly) in developing or emerging economies. It is mostly non elite and the US is the dominant country in terms of provision. There is potential for increased influence with the prospect of international trade agreements, namely GATS, and more recently TTIP. It is both a cyclical and counter cyclical business and the largest profit margins are to be found in online delivery.

### **Overview of Business landscape in Digital Learning and HE**

Technology is perceived as having a profound effect on higher education: *it is one of the key parts of the academic transformation of the 21st century* (Altbach et al., 2009, p. xvii). I will give a brief overview of the landscape of technology in education from a business perspective. This information comes from two companies: McKinsey (2013), which is focused on mobile learning and IBIS Capital Ltd (IBIS Capital, 2012, 2013), which uses some of McKinsey's data but covers e-learning more generally. Both of these are management and investment consultancies. IBIS, in particular, has an interest in E-Learning and launched EdTech Europe in 2013 to focus on entrepreneurial opportunities within the e-learning business field. Firstly, looking at the size of the market overall, the e-Learning market is the fastest growing market in education: *standing at over \$91bn (in 2012) globally with a growth trajectory of over 20% per annum until 2017*. (IBIS Capital, 2014). Overall E-Learning expenditure is projected to grow 23% p.a. to \$256bn from 2012 to -2017. Within this the projected growth rate for different business areas are broken down as: K-12 34.0%, Higher Education 28.0% and the corporate market 13.0% (IBIS Capital, 2012, p. 9). It can be seen that, within the e-learning market, higher education offers good potential for business growth (although not as much as K-12). The report highlights the significance of the US in terms, of investment within the sector:

*Since 2007, 60% of global venture investments in e-Learning have been in the US* (IBIS Capital, 2012, p. 6)

*The US is the most active global fundraising market for e-Learning, accounting for 59.7% of total deals, with high-growth markets, India and China, trailing with 11.3% and 8.4% respectively.* (IBIS Capital, 2012, p. 14).

The McKinsey report focuses on m-Education, a subsector of the e-Education sector. According to the report, the mobile learning market at the current time is *worth around*

*USD3.37billion- a mere 10% of the overall eEducation market, which in turn forms just 1% of the total USD4trillion spent worldwide on education.* (McKinsey & Company, 2013, p. 11). However McKinsey predict 'an explosion' in mlearning and that *the boundaries between eEducation and mEducation will increasingly dissolve* (McKinsey & Company, 2013, p. 11). The growth in education apps is seen as playing a significant role as the download of both free and paid educational apps is greater than the average of the app market as a whole. The main educational products predicted to grow fastest by 2020 are game based and collaborative with content delivery as the largest category of sales in absolute terms. The M-Education market as a whole is viewed by McKinsey to have the potential reach 70 billion USD by 2020. In terms of education sector, higher education is seen as being the most important in spending potential. This is because the *spend addressable by technology represents approximately 15% of total spend in higher education compared to 10% in K12. In segments such as pre-school, teachers' salaries represent 85-90% of the total spend, leaving less room for technology investments* (McKinsey & Company, 2013, p. 19). The term 'technology addressable spend' is defined by McKinsey as 'the components that can be replaced by technology in the near future'(McKinsey & Company, 2013, p. 27). In relation to geographies, although the US is the largest sector in terms of sales and investment, as mentioned above, it is not seen as having the greatest potential in terms of growth. McKinsey and IBIS see the largest growth areas to be in emerging countries.

In the literature from the supra national organizations we find technology framed as a response to massification and financial limitations (this is also recognized in the reports from IBIS). UNESCO (Altbach et al., 2009) mentions the digital divide between developed and developing countries. Technology in HE is seen as ubiquitous in developed countries but problematic in developing countries where access and capacity is a challenge. There is seen to be a *significant disconnect between employing new ICTs and truly leveraging them to enhance quality, particularly in terms of teaching and learning* (Altbach et al., 2009, p. 129). Support for teachers in using new technologies is therefore seen as an important element of the 'information age'. The existence of mega universities in various countries, not just the US, is noted. These are connected to distance learning and do not equvalate completely to the use of technology. However distance learning does connect strongly to e-learning and is seen as a solution to a lack of traditional HE capacity. The *ephemeral nature of knowledge in today's fast-paced global information society* (Altbach et al., 2009) means that setting up the infrastructure of new programmes is not worthwhile in some cases and this may make it more desirable to use distance-education methods



(Altbach et al., 2009, p. 132). Although generally viewed positively, one risk to e-learning is seen to be quality assurance and regulation in a liberalized global economy. Another possibly problematic area is seen to be the dominance of English language delivery and the advantage therefore derived by English speaking countries. The importance of scale is also mentioned: distance education thrives when it can operate in an economy of scale: *distance education curricula and programs are often designed in standard formats for use by a large and diverse set of learners* (Altbach et al., 2009, p. 135). The conclusion of the UNESCO report is that:

*Contextually based needs assessment, significant capacity building (in human, material, and economic terms), relevant research, and ongoing review and support from key stakeholders will be critically important in most parts of the world if ICTs are to deliver on many of the promises they hold, and distance education is to enable the access and flexibility that is so critically needed in many quarters.*(Altbach et al., 2009, p. 137)

The most recent comprehensive OECD report on higher education (OECD, 2009) is stated as having four volumes, the third of which explores the effects of technology (OECD, 2009, p. 360). However I have not been able to find this and it is possible that it has not been completed. In the absence of this I have looked at the completed volumes and found technology characterized as having being over-enthusiastically embraced in the early 2000's leading to some disappointment with its impact: *ICT has not yet revolutionised teaching and learning and represents in most cases an add-on to traditional face-to-face teaching rather than a substitute or a catalyst for new pedagogies. This is partly due to the immaturity of elearning tools but also to the cultural resistance of students and academics to use existing tools, because of some scepticism about its quality* (OECD, 2009, p. 168). One effect observed is the emergence of learning networks (OECD, 2009, p. 297) and increasing collaboration between institutions to leverage resources. The infrastructure set up and maintenance costs are high with new technologies and this is seen to be higher in developing countries. However there is also seen to be a saving to the 'cost of producing a graduate' (OECD, 2009) once established.

To sum up, from a business perspective e-learning, is predicted to represent enormous value financially. M-learning is predicted to grow exponentially. High growth will be focused on emerging economies, although the US currently invests the most, and Higher Education will be a significant area of spending. Supra national organizations view e-learning positively, in general, as having the potential to fulfil unmet demand and alleviate cost challenges.

## 4 Methodology

### 4.1 Introduction

In this section I will discuss the methodological approach I have chosen to take in my research. Here I will consider my positionality, the knowledge claims I will be able to make in the study and how that relates to my approach to my object of study. I also lay out the rationale for the methods, a description of the process of obtaining, selecting and analysing data and a discussion of challenges and ethical issues arising in the study.

#### Positioning the research

Positioning oneself in the research can mean being explicit about identity (such as gender, class, race) and power relations among a plurality of possible significant features (Cousin, 2010). My position throughout the research process has been to create a kind of resistance, or what Ball (2016) has called refusal, through argument. In Kant's terms (2009) it is the public use of reason where what he called public should be taken to mean in a personal rather than professional capacity, or perhaps what Foucault would call the *labor of diverse inquiries* (Rabinow, 1984, p. 50)

This approach to research arises from multiple factors. It relates partly to my professional identity as an educator. I was affected by the implementation of a Pearson project within my own work environment where I am both a teacher and an administrator. Despite not participating directly, I did experience a sense of disempowerment which I also noted in colleagues. I felt that what I observed of the power relations and the challenges teachers faced was wrong, undermining their considerable expertise and skills.

My critical position is broader, however than a reaction to a particular situation I am also responding to concepts that are seen to originate from neoliberalism and affect our daily experience of education. I felt that it was important as an educator, to understand how the macro environment can influence daily practices and that what appears to be out there (economic theories for example) comes to be part of what makes up our daily experiences in education (Ball, 2012). I felt it important, politically, to focus on materiality to shed light on the paradoxes and contradictions in theory, policy and practice. This is reflected in my methodology which focuses on empirical data, on practice, and is not about identities and perceptions. Ideas that may appear to be somewhat abstract or theoretical affect people in concrete ways. This also reflects my intellectual disposition as it emanates in part from an interest in theory. Thus my position could be also described as textual (Cousin, 2010) and this is one of the reasons I did not choose to focus closely on a particular institutional or geographical context and territorial (Ball, 2012, p. 93) or nation state methodology (Lauder,

2015). My research also reflects my personality, which can also be viewed as a form of positionality (Moser, 2008). I am a private person and rather than making details of my identity salient I would like the argument to stand based on the evidence and for this to be viewed, not as a positivist attempt at objectivity but as an assertion of privacy.

Placing my research in the critical mode brings philosophical challenges. Critical research has been considered to aim at emancipation and has been critiqued for this. Biesta, Allan, and Edwards (2011) consider that all social science inevitably includes an element of interpretation which 'add layers' of meaning onto what we study. However, they see critical approaches as aiming at more than that: *those working from a critical approach have a 'higher' ambition than just offering alternative interpretations. Their aim is to offer better interpretations than those generated by the social actors themselves* (Biesta et al., 2011, p. 231). I am not claiming to offer solutions to the issues I raise, which may seem bleak and there is an argument that research without tangible impact is of lesser value.

Robinson (1992) states: *my position is that the practical contribution of educational research should be judged by the more stringent criteria of problem resolution and improvement* (Robinson, 1992, p. 9) and that research will have *little impact if it operates from a problem analysis that is itself rejected by key players in the problem situation* (Robinson, 1992, p. 10). This is not a useful position for this particular study as I am not in a position to influence 'key players'. In my view, the inability to provide solutions does not necessarily invalidate research or mean that arguments should not be heard.

### **Approach to Discourse and Practice**

My aim in this study is to examine in detail a specific business's behaviour framed as practice. My understanding of the relationship between discourse and practices is informed by Foucault's approach to studying social phenomena and his conceptualization of social practices and power:

*a study of power in its external visage, at the point where it is in direct and immediate relationship with that which we can provisionally call its object, its target, its field of application, there- that is to say-where it installs itself and produces its real effects.*

(Foucault, 1980, p. 97)

Practices can be partly defined as the concrete 'real' and 'external' micro daily events that manifest what Foucault calls the 'capillary' or 'regional and local' level (Foucault, 1980). At the same time these relate to more macro level processes which I also view as practices: *what must be shown is the manner in which they (practices) are invested and annexed by more global phenomena and the subtle fashion in which more general powers or economic*

*interests are able to engage with these technologies that are at once both relatively autonomous of power and act as its infinitesimal elements.*(Foucault, 1980, p. 97). My approach is not hierarchical as I view all data as evidence of practices at multiple levels without assuming precedence for a particular level or a particular domain of practice. This departs somewhat from Foucault's conception of an ascending order for researching practice (Foucault, 2003) . The domains of practice I look at relate to Pearson's behaviour with other businesses, with products, with policy and subjects as connected to globalization, digitization and higher education and in relation to markets, competition and choice.

I had initially thought of using a critical discourse approach as developed by Fairclough (2010). I carried out some initial analysis on Pearson-related documents but found that, although it revealed a great deal of interest, it did not capture what I wanted to show as it became too close to a linguistic analysis. I wanted to focus on practices. The approach to discourse in relation to practice aims to show through textual data what is *said* to happen. The choice of the word '*dire*', which translates as say, rather than '*percevoir*' (perceive) is significant in *The Archaeology of Knowledge* (Foucault, 2002). Here Foucault is interested in how what is said articulates onto something beyond discourse. Ball (2013, p. 20) cites Foucault as seeking to look at what is beyond language: *discourses are composed of signs; but what they do is more than use these signs to designate things. It is this more that renders them irreducible to the language (langue) and to speech. It is this "more" that we must reveal and describe.* This led me to look more closely at Foucault as a possible orientation. *The Archaeology of Knowledge* suggests looking at discourse as *systems of dispersion* (Foucault, 2002): to look at multiple sources of statements and look for connections *to analyse the interplay of their appearances and dispersion* (Foucault, 2002, p. 39). Foucault writes about the *field of strategic possibilities*(Foucault, 2002, p. 40) for statements within certain domains of knowledge (grammar, economics and natural science). We could also approach policy concepts (markets, competition and choice in my case) in a similar way. One aspect that resonated with my research interest was the notion of *strategic possibilities that permit the activation of incompatible themes, or again the establishment of the same theme in different groups of statements* (Foucault, 2002, p. 41). This relates to the different ways that competition, for example, is talked about and activated (or not) in different contexts. Thus a defined discursive formation can *give birth simultaneously or successively to mutually exclusive objects without having to modify itself* (Foucault, 2002, p. 49). Foucault's writing on statements is not about discourse as revealing people's intentions or perceptions:

*The analysis of statements operates therefore without reference to a cogito. It does not pose the question of the speaking subject, who reveals or conceals himself in what he says (Foucault, 2002, p. 138). One implication of this is a move away from conceptions of persons as meaning makers.... These concerns do not revolve around questions of authentic voice, but of the political dangers arising from representation (Bastalich, 2009, p. 1.2). This implies that I am not seeking to represent or understand the perspectives of individuals to determine what they 'really' mean' (Bastalich, 2009, p. 2.2) but rather to analyse what is represented by text (which must be represented accurately) in relation to practices. This approach implies a difference from the view that would seek to place subjects at the centre of knowledge construction. Instead, the effect of discursive and concrete practices and effects are considered, *situated at the level of 'it is said'* (Foucault, 2002, p. 138). This may also imply a reduced role for interpretation which Foucault would appear to favour: *to interpret is a way of reacting to enunciative poverty, and to compensate for it by a multiplication of meaning....but to analyse a discursive formation is to seek the law of that poverty (Foucault, 2002, p. 135)* although, as discussed above, all research requires some interpretation.*

## 4.2 A Case Study Approach

I am nominating my research a case study as I am looking at one bounded entity, a complex functioning unit (Johansson, 2003, p. 2). The primary interest in a case is to gain a deep and detailed insight into one bounded entity or entities. Stake (2005) identifies 3 typographies for a case study: the intrinsic, instrumental and multiple, the first two being of relevance here. An intrinsic case study is less interested in seeing the case as an example of something but rather in fully understanding what it is or what can be learnt about it. The instrumental case is seen as having an illustrative purpose beyond the particular, whether that be theory building or one example seen as representative of a group. According to Stake:

*Intrinsic designs aim to develop what is perceived to be the case's own issues, contexts and interpretations, its "thick description". In contrast the methods of instrumental case study draw the researchers towards illustrating how the concerns of researchers and theorists are manifest in the case (Stake, 2005, p. 450). Tight (2010) objects to the use of the term case (although not to the methods), preferring to use the phrase *the detailed study of a small sample.. of an item of interest* (Tight, 2010, p. 337). 'Sample' implies an object belonging to an identifiable category. My aim was specifically to investigate Pearson*

and also what light this brings to theory, but this does not make Pearson a sample of that theory. Tight's view implies the researcher's awareness of a larger group within which the case can be set but this might preclude the intrinsic categorization. In this study, the case can be seen as both intrinsic and instrumental in relation to Stake's typology. On the one hand that I am motivated to learn as much as I can about Pearson because I consider it a unique and bounded entity of particular interest, that does not fall easily into a specific category within business or education. At the same time, my interest in the case of Pearson coincides with an interest in theories that have led to an increasing role for business in relation to education and education policy. As a researcher, I aim to pose these interests as foreshadowed problems (Stake, 2005, p. 6) rather than preconceived ideas. Stake (2005, p. 461) cites Malinowski on the role of the researcher in relation to this: *the more problems he brings with him into the field, the more he is in the habit of moulding his theories according to facts, and of seeing facts in their bearing upon theory, the better he is equipped for work...these problems are first revealed to the observer by his theoretical studies*. My understanding of theory in this study refers to what Biesta et al (2011, p. 235) call object theory, that is the theories that conceptualize what I am interested in (the object of my research).

It is important not to look for data only to confirm theory and become *endlessly trapped in circular notions and use an empirical example of our object of study to confirm the value of the big theoretical framework* (Sunley, 2008, p. 18). In my case I am looking for a priori categories that relate to theory, with intent to elucidate how practice relates to this. Biesta et al. (2011, p. 227) posit one important aspect of theory as making things visible or intelligible that are not immediately visible (Biesta et al., 2011, p. 227). In my study I aim at obtaining a richer insight into the nature of markets, competition and choice as they are represented in practices. I also wanted to 'join the dots' in looking at different aspects of Pearson (policy, strategy, company documents, people) to see connections at multiple points. This echoes Foucault's conception of establishing relationships in between a *number of distinct elements* (Foucault, 2002, p. 59) . The idea of making the hidden visible can also be related to critical research often in relation to 'hidden power structures' (Biesta et al., 2011, p. 226), which is an aspect of interest to me.

In terms of knowledge claims, the case study is subject to the challenge of lack of generalization. However, Johansson (2003) sees generalization to be possible through analysis (reasoning) not statistics or scale. The generalizability would thus be extending to theory through abductive reasoning, originating with the pragmatist philosopher Charles Sanders Peirce, who Johansson cites: *the surprising fact C is observed; But if A were true,*

*C would be a matter of course, hence , there is reason to suppose that A is true* (Johansson, 2003, p. 9). This form of reasoning may be a profitable approach where information is opaque or unavailable as is sometimes the case with policy and business. Reasoning is seen by some as an important feature of case studies (Mitchell, 1983). Furthermore, the problem of generalization is said to be avoided, or at least mitigated, if the case has sufficient intrinsic interest (Foster, Hammersley, & Gomm, 2000). In the case of Pearson I assert that the nature of the organization and its involvement in education make it of intrinsic interest and also that aspects of its organizational behaviour will inform theory, such that certain things may be true and, although not universally so, may provide insight.

### **4.3 Validity and Reliability**

Validity in qualitative research can arise from honesty, richness and scope of data (Cohen, Manion, & Morrison, 2007, p. 133) and reliability from dependability (Cohen et al., 2007, p. 148). The way I have approached validity and reliability to achieve this is through triangulation of data sources, detailed assembling of documentary evidence and making complete transcriptions of all interviews manually. Triangulation is considered one way to increase validity as a process of using multiple perceptions to clarify meaning (Stake, 2005, p. 454) or the use of one or more methods of data collection in the study of some aspect of human behaviour (Cohen et al., 2007, p. 141). In this study the triangulation is not precise in the sense of offering a different perspective on the same object or event. Rather, there is triangulation in data sources: documentation and interviews relating to Pearson and also triangulation from different levels used in the social sciences; namely, the individual level, the interactive level (groups) , and the level of collectives (organizational, cultural or societal) (Cohen et al., 2007, p. 142). In my case I have looked at policy, organizational and individual levels.

Validity is seen by Rolfe to come from a degree of experience or even practical expertise *...both in the research process and in the substantive content of the topic being researched* (Rolfe, 2004, p. 12). The importance of experience is also seen in Stake (2005) writing on case studies. Although I did not have a great deal of knowledge of Pearson's involvement in policy, I did have experience of a project they were involved in, which I have used in my research data. Detail is seen to be another feature of validity in case study (Hammersley, 2012; Tight, 2010) and this is also seen to be important in Foucault's approach to studying social phenomena where validity *requires patience and a knowledge of details and it depends upon a vast accumulation of source material and a*

*relentless erudition* (Rabinow, 1984, pp. 76-77). The approach is summed up well in the citation below:

*Although the account offered is read through current concerns, and is not in this sense 'objective', it must nevertheless be thoroughly and systematically evidenced. Foucault was not interested in made up stories about the past, but in persuasive, well documented accounts which carry power for our current concerns.*(Bastalich, 2009, p. 6) .

#### **4.4 Data and analysis**

##### **Collecting the data**

I looked at a variety of sources for documentary data: company literature, government policy documents and parliamentary records such as Hansard and select committee records. I have used the documentary sources to create a detailed representation of events and policy activities as they relate to three strands of Pearson's business activity: globalization, digitization and higher education. I carried out documentary and internet based research to establish what business practices were evidenced in relation to other businesses, in relation to the products and also to policy. The movement was therefore from business strategy to policy and education rather than the other direction.

Secondly, I recorded unstructured interviews with 7 people as detailed in the table in chapter 7. My status as a researcher was both that of outsider and insider as I was 'inside' the project but 'outside' the policy arena and also Pearson. The salient features of my identity as a researcher therefore shifted dependent on the context of the interview. Thus in the interviews I move between being a trusted colleague, employee, unknown university student and 'friend of a friend'.

My sampling method was opportunistic and only possible due to contacts. The first contact at Pearson was made due to connections of my study supervisor, to whom I owe a good many thanks. Having got one appointment, I used snowball or chain referral sampling (Tansey, 2007) to secure three more. I was not able to act upon my final contact due to unforeseen circumstances (discussed further below in challenges and reflection). I obtained the other interviews through personal contacts.

The interviews are unstructured in the sense that there was flexibility but at the same time research purposes did influence what was asked (Cohen et al., 2007, p. 355). As I had conducted some documentary research prior to carrying them out and I had an idea of my research focus. However, my aim during the recordings was to say as little as possible to enable the respondents to express themselves as fully as possible. Cohen et al. (2007, p. 356) describe this as a non-directive interview, so my approach could be considered a



hybrid of the two types. I told the interviewees that I was interested in Pearson's role in Higher Education. The interviews with Pearson and company B employees were similar, in that I asked them to talk about their work and asked follow up questions where necessary, in response to what they said, for example, to ask for clarification. The only a priori areas I addressed were the three core business strategies I had looked at in the policy documents. I allowed talk to continue for the most part uninterrupted and found that some of the most interesting comments came in unexpected moments during 'flow' talk. The interviews were all around one hour long except one that was an hour and a half. With the people involved in the project, I asked them to tell me what happened and what they remembered about it and asked follow up questions in response but I had no a priori categories. During the interviews I did not ask questions directly about markets, competition or choice or company structure unless it was first mentioned by the respondent. I wanted to see what was produced as text rather than find out respondents' direct opinion or perspective. When transcribing and citing from the interviews I decided not to use punctuation in order to keep the text as flat or uninterpreted as possible.

### **Data Analysis**

The data falls into two types documentary and interview transcript. I analysed both in similar ways. I began by looking for all mention of markets, competitions and choice, not just as these words but also any comments that I saw as relating to them. Through this I aimed to elucidate how these were described and how they can be seen to work through 'practices'. I have not used frequency as the sole indicator of significance in this study as one comment can also be revealing. Secondly, I looked for comments relating to the nature of the company, specifically the structure of the company and its relationship with the environment in order to elucidate how company behaviour is characterized and what this might mean for education. I was therefore looking for categories emanating from the theory in my literature review: a priori or theoretically derived codes (Bazeley, 2007, p. 76). I started firstly by reading and highlighting sections of text. The process of transcribing and reading were an important part of beginning to formulate ideas. Having texts transcribed for me or inputting immediately into NVivo might have meant missing nuances or tiny scraps of data that contribute to the whole. Secondly, I used NVivo to code again to find anything I had missed, and to cross reference codes across multiple documents. This aspect of NVivo was extremely useful for handling a range of data from different sources and also helped with following up on hunches to see if they might form a pattern or if a word or concept appeared in multiple contexts.

When I had completed the first round of coding I regrouped within the codes to define ways in which markets, competition and choice and the organization, were referred to in and across texts. Finally I used representative extracts from these as evidence of my data. Choosing which extracts to include was quite a challenge and unfortunately it was inevitable that much had to be removed. I decided on extracts that represented something strongly evidenced, either through repetition or through a striking singularity, exemplifying a specific practice. Although by the time I came to code the texts I knew the categories I was looking for, I did not know precisely how, or even whether, they would present. My aim was not to confine my reading of data only to what I wanted to see (Bazeley, 2007, p. 76) so I also read the text for ideas or themes that did not relate to my categories but that seemed significant. The notion of relationships, networks, human affect and 'capacity' appeared important and also echoed with my personal experience of the project. Although I have been unable to do justice to these themes theoretically in this study, I have included a discussion in the section on the nature of the firm in 7.3.3.

#### **4.5 Ethics**

I used the British Educational Research Association Guidelines as a guide for ethics and recognized that I need to avoid detriment arising from participation in research (BERA, 2011, p. 7). Nevertheless, challenges with ethics remained. The question of anonymity was the main issue. All the people I recorded, with one exception, wished to remain anonymous but were happy to be recorded on the understanding that the information would only be used for research purposes and the recordings would only be stored on my own computer. This requires a delicate balancing of information as their identity may be clear from their position or from the nature of the information, but at the same time withholding detail can compromise the validity of research. There were genuine concerns with regard to possible consequences from those involved in the project. I am very sensitive to the need to protect my respondents and discussed this with them. Subsequent events have led to changes in the power structure and this has mitigated these concerns considerably.

Another ethical issue relates to the nature of informed consent. Although I told all respondents that I was interested in researching Pearson and higher education I did not tell them it was to be a critical piece. It became clear during the research process that Pearson is likely to be concerned with controlling information flows to protect its reputation and that the company itself might not be happy with its employees engaging in such research. Aside from anonymity, one way to mitigate this was through my approach to

interviewing. Although I had areas I was interested in, I did not have a set list of questions and so was able to manage the interview in the way I judged best suited each person. The ethical judgements can therefore be described as situated (Hammersley & Dr Anna Traianou, 2012). I avoided any probing or journalistic style questions so that respondents were not led into revealing things they did not wish to say.

#### **4.6 Challenges and Reflection**

One of the challenges in this study was obtaining access. I was very grateful to my supervisor for providing a contact connected to Pearson. I tried directly emailing certain key figures myself but with no success. I very quickly came to the realization that 'who you know' has a great deal of influence on 'what you know'. The challenges with access, although not ideal, actually became an interesting aspect of the study itself as they revealed to me some of the ways that power and information operate and are important. For example, I obtained a contact from my third Pearson interview in the UK with a Pearson employee in the Gulf. I arranged to meet but was not able to because the Pearson project in my professional context, also in the Gulf, was unravelling and we were explicitly informed at work not to make any contact with Pearson directly. I later found out that this was due to ongoing legal procedures over the ending of the project detailed in this study. I had been aware that this was a sensitive issue and had decided prior to beginning my study not to rely completely on my own context in case the 'political' nature of it made recording too compromising for participants. There were elites involved and this made speaking freely difficult. However, the ending of the contract with Pearson enabled those involved in my own professional context to speak more freely. So although I was no longer able to contact Pearson, this meant I was able to ask colleagues to talk to me. A second problem with access relates to an academic at a British university who was involved with Pearson. Through contacts I had requested an interview and we had agreed to meet. Unfortunately, I was later informed that this could not happen because a confidentiality clause with Pearson made it impossible for this person to be interviewed. I was unable to find out what role the academic had in relation to Pearson. Both these examples highlight how a 'contractarian vision' (Brennan & Buchanan, 2000) can limit access to information. Another way in which I found access to information difficult was when looking at policy documentation. I found Pearson's response to the government consultation on student number controls through searching the Business, Skills and Innovation Department website. However, I found Pearson's contribution to a government consultancy call on Degree Awarding Powers was not available. There was no primary resource but only a

government summary of anonymized responses. I put in a freedom of information request but received no reply.<sup>2</sup> Finally, when meeting with two of the Pearson employees I had the impression of being kindly steered away from strategy. With one, I mentioned having contacted by email the head of policy at Pearson, I felt there was a very slight double take before the reply: *Yeh these people will probably give you more specific stuff*. With the second when I asked if anonymity would be important the answer was: *I won't be delving into strategy or anything it's beyond my level*. This *proclivity for secrecy by private firms* (Stiglitz & Greenwald, 2014, p. 75) could relate to intellectual property rights protection as discussed in Stiglitz and Greenwald (2014) or perhaps to a concern to protect flows of information for fear of reputational damage.

Reflecting on the process of research, I found certain challenges in the method I chose to adopt. I have chosen not to focus on a very specific aspect of education and / or place. My method has meant keeping multiple aspects in mind at what might be called a meso level of analysis. This was deliberate, I wanted to look at dispersions (Foucault, 2002, p. 41) with texts from different fields and sources. However, this leaves me somewhat dissatisfied with the depth of analysis on certain specific issues. For example, the policy activity surrounding degree awarding powers and student number controls was a very rich source of data but the further I researched into it, the further I felt I was being taken from Pearson as the case. It started to be *about* English higher education policy. I experienced the same issue with analysing the project as it would have developed the context as based in a specific institution or location.

In reflecting on my position as a researcher I was aware that I started the enquiry with a bias towards believing that a company like Pearson would have a negative effect on education. I have therefore consciously attempted to write in a measured tone and avoid defamatory remarks or a journalistic style, whilst at the same time presenting a critique. As I proceeded I found the emerging picture was complex and I have tried to address that in my analysis.

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<sup>2</sup> see McInerney (2014) for an example of information being blocked in education research

## 5 Contextual Data

In this chapter I move on to examining the case being researched. Here I outline information on Pearson's history, business strategies and finally, what they sell in relation to Higher Education. This will provide a detailed background to the business.

### 5.1 General Background

Pearson and Son was established in 1844 by Samuel Pearson as a small building company in Yorkshire, England. It moved its headquarters to London in 1890 and expanded its construction business to include major projects such as railroads (in Spain, Colombia, China and Mexico), and the Sennar Dam in Egypt. Thus the multi or transnational nature of the business is evident from the beginning. In 1921, Pearson first entered the field of media by acquiring *a group of UK provincial newspapers that form the foundation of Westminster Press* (Pearson, 2014I). In 1957, Pearson bought the Financial Times which became one of its core brands until it was sold in 2015. In 1968, Pearson added to the publishing side of its business by buying Longman. In 1969, Pearson went public on the London Stock Exchange. It had a wide range of interests and was a conglomerate organization. Between then and 1998 there were a series of acquisitions, mergers and divestitures which changed the nature of the business and culminated in the formation of Pearson Education in 1998 which included over 100 education brands. At this time, according to the Pearson timeline site:

*Pearson Education leads in every major sector of educational publishing, including elementary and secondary school, higher education, professional education, English Language Teaching (ELT), and educational technology, both in the US and internationally* (Pearson, 2014I).

From 1998 onward Pearson divested itself of some valuable assets in order to free up capital for investments which signalled a refocusing of the business. The Pearson Technology group was formed in 1999. This was followed by a series of sales and acquisitions that indicate the importance of technology and globalization as the way forward for Pearson. An example is the sale of Mergermarket (a financial news media company) only 6 years after it was acquired, which Pearson stated would enable the company to:

*redeploy the proceeds from the sale in its global education business. It sees significant opportunity in the growing demand for school, college, professional and English language learning and is focusing on products and businesses with a clear impact on learning outcomes and strong positions in digital education and emerging markets.* (Pearson, 2014a)

Increasingly, the triple strands of globalization (acquisitions and partnerships in emerging economies), education (schools, higher education, vocational education, careers advice and English language) and technology (digitized materials, data provision systems, online teaching, learning and assessment) have become a way of consolidating the identity of the business. The company has described itself in some announcements as an *international education and information company* (Pearson, 2014l) and in others as *a learning company* (Pearson, 2014h). It is also increasingly positioning itself as an education service company, selling research and education reform.

## **5.2 Business Strategies Overview**

Important aspects of Pearson's business strategy include globalization, standardization ('common systems'), digital education, which uses data to 'prove positive effects', research and innovation to help create these products and finally an increasing focus on service. There has been an explicit move towards digital products at Pearson since 2000. Investment and business partnerships emanate mainly from the US, but the market is global and growing most quickly in the emerging economies. These strategies mirror the business literature view of developments in education. The digital strategy is summarized in their 2013 annual report, where the company's reorganization is described:

*Pearson has fundamentally changed the way the company is organised. From January this year, Pearson is being run as one globally-connected education company, working to an operating model designed specifically to support a global education strategy, and a new executive team has been appointed to lead it. The new model ensures that the company will be organized around a smaller number of global products and platforms, built around a single, world-class infrastructure and common systems and processes. Over time, this will help Pearson to grow more quickly, as it will free up resources to invest in digital transformation, and the new, more service oriented, products that are vital to future growth. It should enable the company to increase the rate of innovation and invention, by focusing on the research and development of the next generation of global products that will have the data to demonstrate their positive impact on learning outcomes. (Pearson, 2013, p. 78)*

I outline below the different ways that Pearson behaves in relation to other companies in order to achieve their commercial goals. One strategy is to acquire, merge or invest in companies who have the expertise or assets that Pearson need. Since 2007, Pearson has

acquired 18 companies; 14 of them were acquired after 2010 and all were digital-based / e-Learning businesses (IBIS Capital, 2012, p. 22) They are also very active in mergers and acquisitions in comparison to other companies as can be seen in the table below

e-Learning's Most Active Corporate Acquirers & Investors By Number of Acquisitions and investments (2010-2013)					
Company	Headquarters	Public/Private	# Acquisitions	# Investments	Total
Pearson	UK	Public	12	3	15
BBlearn	US	Private	7	0	7
MacMillan	Germany	Private	4	3	7
Kaplan	US	Public	1	4	5
McGraw-Hill	US	Private	2	3	5
Chegg	US	Private	4	0	4
Skillsoft	US	Private	3	0	3
Capella Education Company	US	Public	2	1	3
Wiley	US	Public	3	0	3
Rosetta Stone	US	Public	2	0	2

**Table 1 E-Learning Most Active Corporate Acquirers and Investors (2010-2013)**

**Adapted From IBIS Capital (2012, p. 15)**

Pearson is registered as a UK company but is taking advantage of technology developments which originate in the main from the US, to acquire the infrastructure required to push through its digital strategy. North America still represents Pearson's largest business, with 2012 revenue of £2.7bn and operating profit of £536m, but does not offer the largest growth opportunities, which are seen to be in emerging markets where their sales have doubled over 4 years (Pearson, 2013, p. 10)

In relation to geographies, if we look at acquisitions and partnerships (2000-2014) that are connected to digital or online education (see appendix 1 for detailed outline ) 16 out of 23 of them are US based with the rest divided between 5 other countries (table 2).

16	US
2	UK
2	China
1	India
1	Canada
1	Mexico

**Table 2 Location of Pearson's Digital Acquisitions 2000-2014**

A second strategy is collaboration with technology giants, particularly Microsoft and Apple. Examples of this include Pearson VUE's provision as 'sole provider' of online testing centres for Apple certification from 2013 (Apple, 2015) and in 2014 for Microsoft certification: *Effective September 4, 2014, we are partnering with Pearson VUE and taking*

*advantage of Pearson VUE's world-leading network of testing centers. Beginning at the start of 2015, Pearson VUE will become our sole test provider.*(Francey, 2014)

A second example of collaboration with Microsoft is in the Common Core System of courses that relate to school curriculum in the US but also includes Careers and College Readiness Curriculum: *through this collaboration with Microsoft, the global leader in infrastructure and productivity tools for schools, we are creating a powerful force for helping schools leverage this educational model to accelerate student achievement and, ultimately, ensure that U.S. students are more competitive on the global stage.*(Pearson, 2014d)

Pearson also partner with Apple in the provision of e-text books and use of tablets. In 2006 Pearson acquired PowerSchool a student information system from Apple. This is not a higher education product but the services and infrastructures in digital education can be seen as generic with parallel functions: digital content available on iPad and iPod, student information systems. They provide economies of scope and could be adapted to any education situation. The press release announced:

*Apple and Pearson today announced an expansion of their relationship to enhance teaching and learning through technology....The alliance with Apple to deliver content compatible with iPod, progresses Pearson's goal to improve student's performance.* (Apple, 2006)

Another more recent example is the collaboration on provision of e-text through the iTunes store: *Pearson has become one of the first educational publishers to launch titles in Apple's new 'eTextbook' category on its iBooks store outside the US...*(The Appside, 2012)

These collaborations have been subject to legal action in the US. There has been anti-trust action over price fixing with publishing cartels working with Apple. Also more recently, the Pearson Foundation in the US has closed. This has been reported in the press as due, at least in part, to allegations of improper collusion between school district officials in Los Angeles, Pearson, the Pearson Foundation, representatives of Apple and America Choice, a Pearson affiliate. (Singer, 2014a). The charitable foundation had to pay fines of \$ 7.7m in New York and is under investigation by the FBI for generating business for Pearson (Singer, 2014b).The closure was announced on the Pearson website in the following terms:

*On November 18, 2014, the Pearson Charitable Foundation's Board of Directors publicly announced the intent to cease Foundation operations and close the Pearson Foundation at the end of the year. This follows a decision by Pearson plc. to integrate all of its*



*corporate responsibility activities and functions into its business as a way to maximise social impact and to no longer fund the Foundation as the primary vehicle for its philanthropic and community activities.*(Pearson, 2014i)

A third strategy is to use partnerships which target smaller businesses, as opposed to the larger corporations, by providing access to the benefits of a big company and also enabling Pearson to extend and innovate. Thus Pearson has what it calls 'technology partners', 'content partners' and 'technology accelerators'(Pearson, 2015d). The technology partnerships are framed as offering benefits to companies who choose to join at different levels of commitment, akin to a club membership. In this way, smaller companies gain access to Pearson's extensive business infrastructure and network and Pearson gains access and leverage to new and niche technologies quickly and with little investment on its part. This arrangement occurs through the US based Pearson eCollege and Learningstudio. Pearson also promotes business start-ups in the field of educational technology with Pearson Catalyst and the Pearson Developer Network. The Pearson Developers Network (PDN) allows users to access and learn about Pearson product and platform APIs..(Pearson, 2014e) If clients then wish to market their API (Application Program Interfaces used in creating applications) they then use the Pearson Partnership Programme. Out of six start-ups accepted by Pearson in 2013, 5 were from the US and one was from Canada (Dredge, 2013), reflecting the US domination of this area of commerce. The Catalyst Program gives Pearson quick access to innovative thinking targeted to suit their business:

*Pearson Catalyst for Education is an open accelerator program that matches top talent within Pearson, and our companies, with up to 10 start-ups to deliver 3-month pilot programs that address specific business opportunities and challenges.*(Pearson, 2015c)  
*"We looked internally for challenges in the business that we knew could be addressed by partnering from the outside" says Diana Stepner, head of future technologies at Pearson. "It's partly the speed: for us to see how quickly a start-up can get something done helps us to reinvigorate the way we do projects," says Stepner* (Dredge, 2013)

Overall, Pearson's behaviour in regard to other companies may include buying them, partnerships with them or supporting them in starting up. Partnerships prove very useful in digital businesses as they enable economies of scope and may create pathway dependency. For example partnering with Apple benefits both companies as one provides the delivery mechanism (iPad and iTunes store) and the other the content. Although

clearly they do compete with other companies, it seems they may deal with this in part, either through collaborative behaviour or through reducing the competition by absorbing it.

### **5.3 What Pearson Sells in Higher Education**

In this section I will outline the products that Pearson sells that can be related to HE.

Some of these products have a generic nature and are not specific only to HE but can be used in different education or training sectors. I have not included information on research, consultancy and reform. That information is not as openly available as that on more tangible goods in terms of volume and financial returns for example. Also it is somewhat beyond the capacity of my current enquiry to deal adequately with this. However, I note that these activities seem to be a significant aspect of Pearson's activities as they are developing a global research program (Pearson, 2014h, p. 43), are involved in education reform internationally (for example they will be carrying out the next round of PISA tests) and act as research partners to universities in the UK: examples include the Cambridge University Psychometric Centre, the Cambridge Primary Review Trust which involves a number of universities and colleges and Oxford University whose Centre of Educational Assessment was set up with funding from Pearson (Baird, Hopfenbeck, Caro, & Hazell, 2014)

#### **Overview**

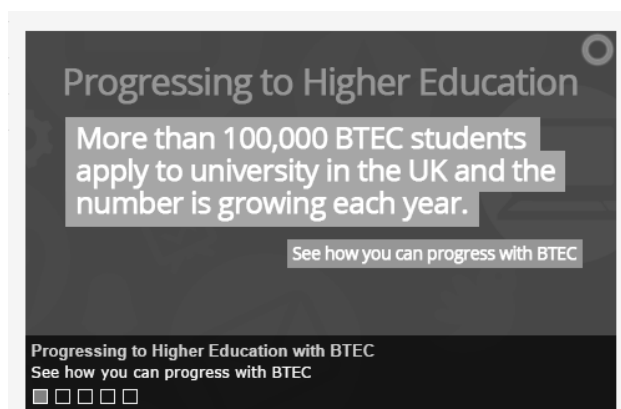
In order to gain a sense of the range of activities, one can imagine the journey of a hypothetical student through the HE 'production line'. This hypothetical student could take A levels, either in the UK or internationally, created, written and administered by Pearson through Edexcel, (including the International Advanced level, IAL, which addresses the issues created internationally by not having January sittings for A levels). These influence the flow of students to HE. This student could also take vocational qualifications such as BTEC, regulated by Pearson in numerous countries. Our hypothetical student might not be a first language speaker of English but may want to study at a university that delivers the curriculum in English. They can learn the English they require to do that with Pearson materials and Pearson trained teachers (through Pearson ELT teacher development) potentially in a Pearson institution (Wall Street English). They can then take the Pearson Test of English (PTE) which is accepted by prestigious universities and rank themselves on the Pearson Global Scale of English. Our prospective student, from any country, can then use the Pearson Progression+ degree finder to choose a university. Once in HE the student could then use Pearson textbooks, e-texts and online support as materials for their

course. Whilst at university they could also gain employability skills through Pearson's 'My Employability Lab'. They could also take a Pearson Degree in England at Pearson College. Finally, once on the job market they could find their talent assessed by potential employers through Pearson talent assessment tools. This gives us a sense of how Pearson can operate at any stage in the process of acquiring a higher education. In the following sections I will lay out in some detail what is being sold to demonstrate the extent of Pearson's coverage.

## Qualifications and Testing

The first product range are the tests and qualifications offered by Edexcel, which became a Pearson subsidiary in 2003. Pearson oversee the writing, and monitoring of the quality of the qualifications they offer. A levels can be viewed as part of the HE business in the sense that they influence the flow of students into universities. This market was seen to be strong in the 2013 annual report and the number of papers marked for GCSE and A/AS level was around 6 million in the UK, '93% using onscreen technology' (Pearson, 2012). These are seen as the more 'academic' qualifications.

The second product range, BTEC, are viewed as vocational but also promoted as a pathway to progression to HE, (Figure 1). The BTEC qualifications operate across the range of levels in the UK Qualifications and Credit Framework from 1 to 7, which is considered postgraduate level, and are delivered in schools, colleges and universities. *The awarding body (Edexcel/Pearson) takes responsibility for 'verifying' standards across institutions'* (Wolf, 2011, p. 50). They in turn are regulated by Ofqual, in England, who set and monitor standards on behalf of the government. In addition, Pearson also grant licenses to HEI institutes



**Figure 1 Extract From BTEC Website (Edexcel, 2014)**

who wish to deliver, assess and award their own qualifications at Higher National level. As HEI's in England they are allowed to award their own qualifications but are required to submit an annual Institutional Review Report (IRR) to Edexcel. HEI institutes and qualifications are not monitored by Ofqual but by the Quality Assurance Agency for Higher Education (QAA). There are around 7,000 BTEC centres worldwide, according to the

Pearson website (Pearson, 2014f). BTEC vocational qualifications are recognized in more than 80 countries worldwide, and in 2011/2012, over 2m learners registered for BTECs, including 650,000 school students (Pearson, 2013, p. 8). The numbers cited in the 2013 annual report for UK 'next generation' BTEC qualifications are: *over 100,000 students with a further 365,000 students to date enrolled for 2014/15 delivery* (Pearson, 2013).

According to the Wolf report – a UK government review of vocational education in 2011: *BTEC awards have grown particularly fast* (Wolf, 2011, p. 48).

In 2011, Pearson acquired Education Development International which is the awarding body for LCCI qualifications: internationally, EDI trades under the London Chamber of Commerce and Industry (LCCI) brand and offer a range of business and English language qualifications which have a history that can be traced back to 1887. LCCI International Qualifications are widely used in South East Asia and over 100 countries around the world (EDI, 2014). These qualifications, which are seen as work-based further education, have subsequently been phased out and, as they 'expire' they are being replaced with new Edexcel BTEC qualification: *89 new Pearson BTEC and Pearson Edexcel qualifications have been opened to new registrations from today, Friday 1 August. These are direct replacements for expiring EDI programmes which closed to new registrations on 31 July.*(Pearson, 2014c)

The other qualification offered through Pearson is the Pearson degree. These are offered in business programs only and are validated by Royal Holloway and Bedford New College or by Ashridge business school.

Pearson are also involved in testing that does not strictly relate to credentials as such but are still in their testing 'stable', namely The Pearson Test of English (PTE) which is divided into general, young learner, business and academic. PTE academic, is one of the gatekeepers for second language speakers who wish to enter HE in English medium institutions. The PTE is computer based and can be taken in 150 locations in over 50 countries, 363 days of the year (in 2013) with results in between 2 and 5 days. It is promoted as fast, flexible and widely accepted *by thousands of universities worldwide, including prestigious institutions such as Harvard Business School, INSEAD and Yale* (Pearson, 2014k)

Aside from specific tests and qualifications, Pearson also offer testing platforms and centres for other organizations to use for their tests through Pearson VUE:

*the global leader in electronic testing for information technology, academic, government and professional clients, providing a full suite of services from test development to data management. From operational centers in the United States, the United Kingdom, India,*

*Japan, and China, the business provides a variety of services to the electronic testing market. Currently serving over 175 countries, Pearson VUE partners with more than 4,500 Pearson VUE® Authorized Test Centers in its rapidly expanding network. Pearson VUE also owns and operates over 400 Pearson Professional Centers throughout the world, serving professional licensing and certification sponsors (Pearson, 2014m).*

Much of the information available on testing with Pearson VUE originates from one of Pearson's US websites. From a business perspective, VUE is seen as providing good revenue and growth with test volumes increasing 25% from 2012 to 2013. Pearson acquired VUE in 2000 for \$2.4billion as part of National Computer Systems (NCS), an educational testing and data management company in the US. There have been a series of acquisitions subsequently under the auspices of Pearson VUE (table 3)

**Table 3 Recent Pearson VUE Acquisitions**

2006	Promissor, a provider of knowledge measurement services for professional assessment
2010	Integral7 (now Pearson Credential Management), a data management software provider
2012	Certiport, US provider of performance-based foundational level certification exams and practice test solutions for academic institutions, workforce, and corporate technology markets with partner sites in 152 countries for \$140m.
2013	Exam Design Inc., a provider of examination development software used in high-stakes testing.

## **Books**

The second category of products are those that provide materials for courses: text books either hard copy or e-text and online provision. The textbook can be seen as Pearson's traditional or most recognized product. Pearson is still categorized on the FTSE in the media sector under publishing as the sub-sector, but in the US on the NASDAQ it is categorized as *an international media and education company* (Nasdaq, 2014). According to the 2013 annual report in the US (which accounts for 57% of sales) HE publishing revenues grew by 5%. Textbooks are still offered over a vast range of topics and locations for HE – there are 9 regional websites for HE texts. Despite this, volume of sales for print text has gone down by 20% in four years (Pearson, 2013) and they are no longer viewed as a main product focus for the future. According to the 2013 annual report, print now accounts for 40% of revenue, whereas digital and services account for 60%. The goal is

*to generate 70% of sales from digital and services by the end of 2015*

(EducationalMarketer, 2013, p. 2). The future is most definitely seen as being digital and therefore e-texts and online learning are increasingly a focus of Pearson's activities:


*We need fewer people, and resources, deployed in the publishing, production and manufacturing of textbooks and their physical distribution, sales and marketing. We need less print-based testing capacity, as we consolidate our operations and move more towards online testing. By spending much less on these activities as demand falls ....we can invest much more in our biggest growth opportunities (for example, MyLab digital registrations and our sales in emerging markets have both doubled over the same period)* (Pearson, 2013, p. 10).

### **E-texts**


E-texts are seen to be the replacement for hard copy texts in all areas of education, not just HE. According to an article in Reuters, the market in second hand print college textbooks which can be rented or bought used and then resold:

*...has saved students across the United States a ton of cash. But it has put textbook publishers in a bind. They don't make a cent unless students buy their books new. So increasingly, publishers like Pearson Plc. and McGraw-Hill Education are turning to a new model: Creating online versions of their texts, often loaded with interactive features, and selling students access codes that expire at semester's end.....*

*These alternative markets have transformed the industry. Average student spending on new textbooks per semester dropped from \$192 in the fall of 2008 to \$138 this spring, according to Student Monitor. That is despite the prices of new textbooks rising about 6 percent a year, according to the U.S. Bureau of Labor Statistics.* (Simon & Will, 2013). This clearly ties in with Pearson's current business strategy: as sales of hard copy books fall, students and faculty in HE need to be persuaded of the advantages of e-text books. One way to do this is to make textbooks customizable to a particular environment and also quickly and easily updateable. Another is to add features, such as quizzes and flashcards, to 'add value' to the product. Finally, e-books are noticeably cheaper. In the example (Fig 2) we see 3 different formats available and it seems that hard copy is noticeably more expensive.

	<b>Principles of Sedimentology and Stratigraphy: Pearson New International Edition</b>	
	5th Edition	
	<b>Sam Boggs</b>	
	Jul 2013	
<b>Available Formats</b>		<b>RRP</b>
Paperback		£50.99
CourseSmart eTextbook		£31.00
PDF eBook		£41.99

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	<b>Environmental Science: Pearson New International Edition</b>	
	Toward a Sustainable Future	
	12th Edition	
	<b>Richard Wright, Dorothy Boorse</b>	
	Aug 2013	
<b>Available Formats</b>		<b>RRP</b>
Paperback		£57.99
CourseSmart eTextbook		£34.99
PDF eBook		£31.99

**Figure 2 Extract From Pearson Online Higher Education Bookshop**

These examples from the Pearson Higher Education UK online bookshop show that the choice of e-text is available from CourseSmart. This is a joint venture of publishers, including Pearson, who have collaborated to create a large online bookshop.

Coursesmart's vision for the future can be seen in this comment from Reuters:

*Ten years from now, almost 75 percent of students believe that e-textbooks will be used more than print textbooks," said Cindy Clarke, a senior vice president for CourseSmart, an online joint venture of five textbook publishers. "It's happening, and I believe it will start to happen more and more exponentially.*(Simon & Will, 2013).

A monopolizing tendency is evident as, according to CourseSmart's website, it is *the world's largest provider of digital course materials' which includes 'over 90% of the core textbooks in use today in North American Higher Education as eTextbooks, as well as the largest online catalog of eResources and digital course materials* (CourseSmart, 2014). E-text business practice has drawn attention from lawyers and the press because of the perception of a cartel effect, echoing issues with the Apple - Pearson collaboration mentioned earlier. Publishers, including Pearson, have been implicated in anti-trust litigation in the US over price fixing of e-texts in collusion with Apple (Raymond & Stempel, 2013).

### **Online Provision**

The final category under materials provision is online delivery which provides course content and resources specifically designed for use in HE (table 4). Online products are considered by Pearson to be their 'biggest growth opportunities' with registration for MyLab products doubling over a period of four years (Pearson, 2013, p. 10): *student*

*registrations in North America grew 9% to almost 11 million. Usage continues to grow strongly with graded submissions up 15% to almost 370 million across the globe.*(Pearson, 2013, p. 23)

**Table 4 Examples of Pearson's Online Provision**

Product	What does it do?
MyLab & Mastering	Online homework, tutorial, and assessment products
CourseConnect	Content and assessments - more than 130 online courses
Pearson Collections	All-in-one application that combines content from Pearson textbooks, Open Educational Resources, lesson plans or the web.
Propero	Self-paced, student-directed online courses and accompanying services offered to colleges and universities as an additional tool to help students complete their certificates or degree - colleges can agree to give credit for it.
MyCourseTools	Online library of more than 26,000 digital 'assets'

### **Learning Platforms**

Pearson also provide learning platforms that enable delivery and can operate as management tools for institutions (Table 6). Learning studio was previously known as eCollege and was purchased by Pearson in 2007 for \$477million. OpenClass is another learning platform, however, as it is open access and free we could exclude it from the list of sold products (although the one might wish to consider what the business case for free offerings is).

**Table 5 Examples of Pearson's Learning Platforms**

Product	What does it do?
Pearson LearningStudio	Collaboration tools / eBook platforms / Identity verification ePortfolios / lecture capture / lockdown browsers / student online readiness / assessment tools / anti-plagiarism / student information systems
EQUELLA	Content repository / metadata such as learning outcomes, grade level and relevant keywords. Over 12,000 courses/ in 130 campuses across 10 Institutes including Royal Holloway who validate Pearson's degrees.



## Services

The final category of products is called services and solutions. The table below summarises services promoted on the US HE website.

**Table 6 Summary of Services Promoted On Pearson's US Higher Education Website**

Workforce Education	Working with HE institutions – offering online or instructor lead courses focused on work readiness. Uses Burning Glass real time data on the job market. Provides 45 free days access to Smarter Faculty to help find staff if needed. Aimed at institutional clients.
Custom Print Solutions	Customized book building service chosen from Pearson Custom library (for educators)
Customizable Technology Resources	Customized technology solution – measurable online learning programs for specific courses – designed with Pearson and client 'tying high end business intelligence tools with learning outcomes'
Custom Curriculum	Tailored curriculum development – not only for HE – have built ' <i>more than 2,000 online and on ground courses in 4 years</i> '
Online Program Management	Using Embanet ( acquired in 2012 for \$650 million) to <i>help academic institutions finance, launch &amp; operate successful online programs</i> (Pearson, 2014b). They provide integrated online services for HE including: <ul style="list-style-type: none"> <li>•Market Research &amp; Recruiting Services / Student Services &amp; Retention</li> <li>•Faculty Support and Training / Curriculum and Course Development that includes Custom Media Creation / Managing the Online Learning Environment / 24/7 Help desk and LMS Hosting and Support</li> </ul> Will provide finance up front 'depending on our level of involvement'(Pearson, 2014b, p. 7)

Student Experience	
Academic Skills & Support	
Employability	>
English Language Support	
Student Engagement	
Students At Our Heart	

Services in the UK website were accounted for under the heading 'student experience' (Figure 3) but also include development/training in educational technologies for educators. All include online services. However, the website was significantly less developed in comparison to the US site with fewer products and information.

**Figure 3 Extract from UK Higher Education Website**

Subsequent to my initial research, I have found the website has changed and is now more sophisticated (however an in depth analysis of websites is beyond the scope of this research enquiry). Also within the category of services we can include 'Progression Plus', a Degree Course Finder. This is part of Edexcel's remit as it comes under the qualifications umbrella. In effect it can be viewed as a marketing tool for institutions as can be seen below and a tool for promoting Pearson qualifications (Fig. 4)

**Figure 4 Extract on Progression Plus (FromPieNews, 2014)**

Free of charge, institutions accepting one or more of Pearson's qualifications can be listed on its Degree Course Finder website.

For £2,500 a year, universities receive a profile page and a banner advert on the Degree Course Finder site as well as exclusive marketing through social media channels.

At £2,500 plus an agreed commission per learner, the highest level of collaboration involves allowing students to apply directly to the university via the Progression Plus website, options to access a £500 tuition bursary, direct to learner webinars, international student exhibitions and direct engagement at one of Pearson's 9,500 centres worldwide.

The Degree Course Finder website currently receives 600 visits per week from key markets including the UK, Malaysia, Sri Lanka, Singapore, Hong Kong, Cyprus, and India.

## **Institutions**

Finally, Pearson also own and run for-profit institutions which could also be regarded as part of the product or 'value chain of higher education' (Blumenstyk, 2000). These are Wall Street English, CTI and MGI in South Africa and finally, Pearson College in England.

**Wall Street English** mainly target adult professionals. When Pearson purchased this in 2010 they earned revenues of approximately \$60m. This purchase was seen as *accelerating Pearson's goal of being the world's pre-eminent provider of English language learning content, technology and services* (Pearson, 2010). The English language forms an important link in the production chain (for example the PTE Academic test mentioned previously). Its perceived significance can be seen in Pearson's announcement in July 2014 of the Pearson Global Scale of English: *In development for 25 years and tested on over 10,000 students in 130 countries, the GSE will transform how English is assessed, taught and scored. Developed by Pearson English, a division of Pearson, it aims to provide one precise, numeric, universal scale for businesses, governments and academic institutions, as well as for the 1 billion plus people estimated to be learning English worldwide.*(Pearson, 2014j)

## **Pearson Institute of Higher Education**

In 2010 Pearson acquired a 75% and subsequently a 100% stake in CTI Education Group which is partnered with MGI both in South Africa. This is a private higher education institution reported then as having 9,000 students on 12 campuses. They award degrees and diplomas to 'a growing market' of full-time and part-time students. In 2016 MGI was renamed Pearson Institute of Higher Education.

**Pearson College** - The College opened in 2012 in London, and is currently in the process of building capacity and also hoping to gain Degree Awarding Powers. At the moment it cannot call itself a university (a sensitive word in the policy documentation) and its degrees are validated by Ashridge Business School and Royal Holloway College, although graduates gain a 'Pearson degree'. The college has no campus, as such, but is based in Pearson's headquarters at the Strand, London. The location in the centre of London is promoted as an attractive aspect of study, as is the fact that Pearson is a FTSE 100 company.

I have given an overview of Pearson's business strategy and their HE related products. In detailing these products the vast range of interests Pearson has becomes apparent. Although it is difficult to grasp an overview, as different Pearson websites offer different information, it appears to be a dominant figure in the world of education businesses. In some cases this dominance has been subject to the charge of collusion, cartel like and monopolistic effects. I would argue that the sheer size and scale of its operations, combined with its aspirations to operate globally within education systems, makes it of unique interest as an object of educational research.

## 6 The Role of Pearson in Policy

In this section I will outline documentary research into Pearson's involvement in education policy. I have selected 3 core business sectors as identified by Pearson's company reports namely: globalization, digital and higher education. Higher education is a specific sector whereas globalization and digital education can be seen as the general orientation of the company but I will relate these to higher education as closely as possible. I discuss areas of policy related to these domains where I have found activity connected to Pearson. I have examined policy related documents, which includes both government publications and research produced by Pearson or proxies. Producing research to influence policy is an increasing aspect of Pearson's business strategy. Research is difficult to quantify in terms of its returns to business but its significance is evidenced by the appointment of Sir Michael Barber, a former advisor to Tony Blair, as chief education advisor of their 'efficacy and research programme' and the creation of Pearson research network (Pearson, 2015b). There is also activity connected to academia through collaboration with universities on research. However, this enquiry only touches briefly on this area.

### 6.1 Globalization

The colonization of the extra economic by the economic, as discussed in the literature review, combined with globalizing effects means that education can now be construed as part of state industrial export strategies and this is precisely how it has come to be nominated in policy documents: as international education industry strategy (Department for Business Innovation and Skills, 2013a). Jessop (2002) argues that, inspite of globalization, governments are nevertheless keen to see profit fixed within their own territory. One can surmise that both government and business share an interest in opportunities outside the home state. As discussed earlier, one of the cornerstones of Pearson's business strategy is to be a global company, hence their 'global education strategy' which is focused on producing modular and scalable products, deployed on global platforms (Pearson, 2014g, p. 6). Emerging markets are targeted as they are perceived to be areas of growth and educational aspiration. In relation to Pearson and policy, I found one document which shows specific connections. This is a fairly recent (2013) document perhaps reflecting an intensification of internationalization policy in education.

The government publication 'International Education' (Department for Business Innovation and Skills, 2013b) lays out policy intention in relation to education markets outside the UK. It explicitly frames education in terms of its export potential: *there are few*

*sectors of the UK economy with the capacity to grow and generate export earnings as impressive as education* (Department for Business Innovation and Skills, 2013b, p. 3). One of the desired outcomes is to be active inside overseas education systems by assisting them in developing 'new and affordable models' : *many emerging economies are looking not only to send large numbers of students overseas but also to achieve transformational change in their domestic education systems* (Department for Business Innovation and Skills, 2013b, p. 27). This document highlights emerging markets in eight priority countries and one region (China, India, Brazil, Saudi Arabia, Colombia, Turkey, Mexico, Indonesia and the Gulf) as targets for the UK educational industrial complex and in those markets, higher education as of particular value: *growth is expected to continue globally, as a result of demographic change and rising incomes in developing countries, with emerging economies particularly focused on increasing numbers of students in higher education* (Department for Business Innovation and Skills, 2013b, p. 5)

'International Education' also outlines educational technology as one way that the UK can compete in the global education market:

*Technology is the essential enabler for many types of transnational education, and it underpins the growth of multinational education companies. The UK has many established institutions as well as private companies that are well-placed to secure investment for greater use of technology, and to grow their offer if they wish. Government's role is therefore primarily a facilitative one, but we will act positively to stimulate innovation.*(Department for Business Innovation and Skills, 2013b, p. 48)

The 'International Education' document specifically mentions Pearson a number of times. Under a section on UK strengths: as one of the *truly international education brands and the largest private company (by turnover) in the education sector internationally* (Department for Business Innovation and Skills, 2013b, p. 25). Under a section on educational technology: *UK companies are among the most innovative in the development of digital learning resources to support teaching and learning in schools and colleges. Companies such as Pearson, Promethean, GL Assessment and Espresso are among the most prominent* (Department for Business Innovation and Skills, 2013b, p. 30). Under a section on competition from new types of provider: *until recent years, education in most countries was a state-controlled business, dominated by national providers and national norms. This is changing rapidly, with the growth of genuinely multi-national companies that operate across the world. They are a response to the rapidly growing global demand for education, coupled with a realization by national governments that state provision alone cannot meet this demand. The business model is typically for a large scale operation that*

is transferable to many countries. It seeks economies of scale and aims to offer value for money to students or governments. The table below shows some of the major players: (Department for Business Innovation and Skills, 2013b, p. 29). Pearson are placed at the top with the largest revenues (Fig. 5).

Table 2.1: Largest global education providers

Education provider	2011 Education revenues US\$bn	Registered headquarters in	Operational in
Pearson	7.0	UK	Europe, Asia, Americas
Apollo Group	4.5	US	Europe, Americas
Benesse Education	3.7	Japan	Asia
Laureate	3.2	US	Europe, Asia-Pacific, Americas, Middle East & N Africa
Kaplan	2.5	US	Europe, Asia, N America
McGraw-Hill	2.3	US	Europe, Africa, Americas, Middle East
Career Education Corp	1.8	US	Europe, N America
Corinthian Colleges	1.7	US	N America

Figure 5 Extract from International Education: Global Growth and Prosperity (Department for Business Innovation and Skills, 2013b)

The information is cited as coming from Pearson themselves. They are also referenced frequently in an accompanying analytical document (Department for Business Innovation and Skills, 2013, p. 34) in which they are given a special section as a case study of a successful British education export company and are described as *a truly great British brand* (Department for Business Innovation and Skills, 2013b, p. 3)

This interest in working within other states was echoed in a conference speech (The 21st Century Academic Forum 2014, Dubai) by a Pearson representative, who mentioned working on national reform projects with ministers, government agents, and national qualification frameworks. He also mentioned making *education economically relevant in terms of a country* and that he had *done reform in Mexico, reform in Brazil, in Tanzania*. There was also mention at the conference of piece of Pearson research based on country analysis (Playfoot & Hall, 2009), looking at education and employment. A more recent

incarnation was described as as research into ‘the best educational countries’ referring to the Learning Curve (The Economist Intelligence Unit, 2014). This report is similar to the PISA reports in creating indexes of various countries’ education systems.: *education ministers are on the search for evidence of what works more than they ever were before. The Learning Curve is a contribution to the growing evidence base. By combining a number of different international rankings – including PISA and TIMSS as well as measures of adult skills – it provides the equivalent of a poll of polls. Furthermore, in a single database, it combines education input data with data on learning outcomes and data on social outcomes, such as employment and crime.* (The Economist Intelligence Unit, 2014, p. 2). This research production is aimed at policy makers and demonstrates the potential for data as commodity, data as ‘the new oil’ as the Pearson representative at the conference commented. Perhaps such a report assisted Pearson in its successful bid to win the contract to develop the PISA assessment for 2018.

The role of government is to support business in order to secure advantage for the UK economy and seek out the ‘highest value opportunities’ (Department for Business Innovation and Skills, 2013b, p. 10). This strategy depends on maintaining the UK brand (for example through the Education is GREAT Britain campaign) in the international education market. For this to be successful, quality and therefore quality assurance is key. The lack of recognition within the UK for qualifications exported overseas is seen as a barrier to market entry overseas and further regulation is seen to be beneficial:

*Lucrative opportunities have therefore been missed due to awarding bodies being unable to accredit a number of such qualifications. An awarding body has requested assistance in changing the existing system so that regulators add a mechanism within their qualifications registration systems to incorporate those designed for delivery outside of the UK. Until the system of regulation for qualifications developed for international use is changed, UK awarding bodies’ ability to export their qualifications is constrained* (Department for Business Innovation and Skills, 2013, p. 78).

A strategic International Education Council was set up to look into ways to support opportunities for export. One of the working groups chaired by the head of BPP (a private for-profit university) is looking at barriers to UK education exports. The working group chaired by Carl Lygo was *asked to identify real tangible help that is needed from BIS to help break down the barriers to export growth for UK Education* (Lygo, 2014, p. 1). One of the recommendations, after consultation with the sector, includes assistance in gaining recognition overseas for the credentials of UK education providers:



*This impacts both at sector level (for example, Further Education (FE) is difficult to define in comparison to international provision) and with individual providers who are not members of organizations such as UUK<sup>3</sup> so are not automatically included in mutual recognition lists held overseas..(Lygo, 2014, p. 1).*

Although Pearson is not mentioned specifically in this document, they are a major seller of the BTEC qualifications, used in vocational and FE education. One way of facilitating uptake of various qualifications is to set up national qualifications frameworks within target countries that enable comparisons between different education systems. This is something that Pearson is involved in. For example, it worked with the Institute of Education in London, producing the qualifications framework for Qatar (Centre for Post-14 Research and Innovation, 2013). It also sells qualifications in Qatar: *Pearson currently offers more than 500 regulated qualifications in Qatar and they have all been mapped and signposted to the framework* (Centre for Post-14 Research and Innovation, 2013, p. 9). Work on reform in emerging or developing economies present the prospect for long term contracts in national reform:

*The QQTO, (Qatari Qualifications Transitions Office) with support for the IOE and Pearson to develop a draft five-year strategy.* (Centre for Post-14 Research and Innovation, 2013, p. 15)

*Most successful NQFs draw on several conditions in order to maximise the prospects for successful development and implementation. These include.. long timescales* (Centre for Post-14 Research and Innovation, 2013, p. 13) An aspect to note is the involvement of the Institute of Education in partnering with Pearson in research and reform projects such as the Qatar qualifications framework. Thus academia, business and state are collaborating to operate within the education systems of other countries.

It can be seen that government strategy and Pearson's business strategy seem to be in alignment when it comes to international activity. The policy documentation indicates a desired direction for business opportunities and a facilitative role for government, rather than relating to specific government interventions. There is a mutual interest in operating with education systems in what are said to be emerging countries for the benefit of UK education export policy.

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<sup>3</sup> Universities UK

## 6.2 Educational Technology

Here I will look at the policy domain as it relates to Pearson in what is called educational technology or digital education. In my discussion I am concerned with the policy environment as it relates to Pearson rather than an in depth investigation of the nature of technology in education so I do not delve into the subtleties of the different ways educational technology is commented on in the literature. One of the documents is focused specifically on Higher Education, whereas the other policy documents are applicable to education in general. These are relevant to the discussion as a feature of the development of a commercial educational technology sector is the concept of vertical integration, cutting across different education sectors (Ball, 2012, p. 117), with economies of scope, encouraging a generic/customizable tendency.

### Overview

Firstly I will give a brief overview of educational technology policy during the period 1997 to 2011. This time frame is when I found key policy activity in educational technology that also relates to Pearson. The Stevenson report and the consultation 'Connecting the Learning Society', both published in 1997, are two policy related documents which established the importance of technology in education and laid out the foundation for activity over the following decade. Subsequent to the publication of these documents, there were a number of initiatives and publications relating to education generally and also specifically to Higher Education. These were all initiated under the umbrella of the 'National Grid for Learning' which aimed to set up the infrastructure and culture required for embracing technology in education. It was a strategy for harnessing new technologies to produce: *a mosaic of inter-connecting networks and education services based on the Internet which will support teaching, learning, training and administration in schools, colleges, universities, libraries, the workplace and homes.* (Department for Education and Employment, 1997, p. 5). The aim was that : *all schools, colleges, universities and libraries should be connected to the Grid by 2002* (Department for Education and Employment, 1997, p. 3). Following the 'National Grid for Learning' initiatives, the emphasis moved from setting up infrastructure and hardware and promoting use of technology, to a situation where technology is perceived as ubiquitous and integral to learning (Mayes, Morrison, Mellar, Bullen, & Oliver, 2009). The comment below highlights the shift in emphasis over the decade:

*The early concentration on infrastructure has given way to a focus on pedagogy, and on connecting electronic communications with other processes, in a new blend of approaches*

*to learning and teaching. Distance learning is now seen as one end of a continuum where e-learning offers opportunities across all programmes and all education sectors* (HEFCE, 2005, p. 4).

In 2009, shortly after the financial crisis hit, technology in higher education was described as reflecting the economic imperative of efficiency (Mayes et al., 2009, p. 18). This can be seen in the HEFCE e-learning strategy of 2009 where one benefit of e-learning is stated to be: *efficiency: existing processes carried out in a more cost-effective, time-effective, sustainable or scalable manner* (HEFCE, 2009, p. 3). Technology is seen as part of the answer to the challenge of massification and funding. At this time HEFCE ( a non-departmental government body that oversees public funds for HEIs but also contributes to policy development) produced two e-learning strategy reports (2005, 2009) and also set up a task force on online learning in 2009, which published a report 'Collaborate to Compete' in 2011.

This is a very brief summary of education technology policy activity. I will next look at three areas of policy within this field that show connections with Pearson. The documents I look at are in the table below:

**Table 7 Policy Documents Relating to Educational Technology**

1997	The Stevenson Report The Future Of Information Technology In UK Schools Connecting the Learning Society
2002	Consultation response from the British Educational Suppliers Association Letter to the Department of Culture, Media and Sport
2011	Collaborate to Compete

### **The Stevenson Report and Connecting the Learning Society**

Firstly, I will look at Information and Communications Technology in UK Schools, known as the Stevenson report which was commissioned by Tony Blair in opposition and was *produced and funded by Dennis Stevenson, the Chairman of the Commission* (Stevenson, 1997, p. 42), with assistance from McKinsey, whose research is referenced in the report and who published an accompanying report (McKinsey & Company, 1997). At the time of producing the report, Dennis Stevenson was also Chair of Pearson, where he remained

until 2005 (Laycock, 2005) The report concerns schools rather than higher education although the need for technology in education is perceived to cross all sectors: *we wish to see a society within ten years where ICT has permeated the entirety of education (as it will the rest of society) so that it is no longer a talking point but taken for granted - rather as electricity has come to be* (Stevenson, 1997, p. 4). In 1999 Stevenson was ennobled. In his maiden speech to the House of Lords he commented: *as someone who has in recent times been asked to give advice to the Prime Minister on the role of computers and information technology in education I very much also welcome the commitment that has been made--and, I believe, is being made--by this Government to improving the use of information technology in our schools and universities.* (Lords Hansard, 1999). In this speech he also acknowledged his position with Pearson: *in speaking on education, I should explain to the House that I chair a British company, which is the largest provider of educational materials in the world and might, therefore, be judged to have an interest in most matters educational; as, indeed, this company does* (Lords Hansard, 1999).

The publication of the Stevenson report in 1997 is followed by Pearson divesting themselves of assets and acquiring National Computer Systems in the US (Figure 6). From then on they pursued an active acquisition strategy in computer based or digital education as discussed in 5.2. This ‘independent inquiry’ refers to the need to promote the use of technology and in particular emphasizes the importance of

developing software rather than hardware for education through stimulating the supply side of the industry to produce more packaged software (Stevenson, 1997, p. 25). The report proposes that software be directly related to the curriculum rather than being office software:

*Increasingly the National Curriculum has steered our use of software in schools away from curriculum-specific customer-developed applications towards the “office” applications: word processing, databases, spreadsheets etc..... The pragmatic adoption of “office” software, however, is not enough. ...Generic “office” software offers poor opportunities for such drafting and thus for formative advice and assessments*(Stevenson, 1997, p. 25).

This could be construed as a critique of Microsoft products.

**1998** Pearson sells stake in Port Aventura & The Tussauds Group for £58 and £352 million

**2000** Pearson sells share in investment bank Lazards for £410m and subsequent payments of £26m.

**2000** Pearson acquires- National Computer Systems (NCS), educational testing and data Management Company in the US for \$2.4 billion

**Figure 6 Pearson Divestitures and Acquisitions 1998-2000**

A second document also published in 1997 was Tony Blair's consultation document 'Connecting the Learning Society' (Department for Education and Employment, 1997). It followed the Stevenson report and references it. Its purpose was to consult on the implementation of the National Grid for Learning. In the foreword, written by Tony Blair, there is a direct reference to Pearson:

*I asked Dennis Stevenson, chairman of Pearson, to conduct an independent investigation into the potential of information and communications technology in schools. His report identified two main problems – the need to train teachers and to create a market for high-quality British educational software.* (Department for Education and Employment, 1997, p. 3)

Like the Stevenson report, this publication highlights the need to develop a market in software.

### **The BBC Digital Curriculum**

A second policy arena that directly involves Pearson relates to the BBC and its attempts to introduce a free digital curriculum for children aged 6-16. This does not relate directly to HE but evidences the role of commercial interests in the development of education technology. A detailed analysis can be found in Michalis (2012) and Scanlon & Buckingham (2003). I will briefly summarize the events. The BBC put forward a proposal in 1999 to launch a free licence fee funded digital curriculum for ages 6-16. The government approved the BBC digital curriculum with various restrictions attached, aimed at ensuring fairness for commercial entities. However, the newly formed BBC Trust shut down the Digital Curriculum in 2008 after it had been in operation only partially from its soft launch in 2006. This seems to have been because of pressure from commercial interests who had lobbied against it and also from the European Commission who had been approached with a complaint by those commercial interests. When the proposal was first mooted it was opposed by the trade association The British Educational Suppliers Association (BESA) who responded to a consultation by suggesting that, should the initiative go ahead, choice and diversity would be reduced, that it was 'inherently anti-competitive' and that it would 'irreparably damage' an 'established market' (BESA, 2002). Pearson is a member of this organization and within it specifically of SATSIG – the Software & Technology Special Interest Group. In Michalis's article she mentions an interview she conducted with a BESA representative where one of Pearson's products is cited as being at risk due to the BBC proposal: *The industry alleged that the BBC service would impede the development of a potentially world leading Industry', a core government priority ..For instance, it claimed*

*that, as a result of market uncertainty, investment did not materialize, citing Pearson's Knowledge Box, a potentially global product (interview with BESA).*(Michalis, 2012, p. 948). A second organization involved in lobbying was the Digital Learning Alliance (DLA) which was an alliance of commercial providers, including Pearson. The DLA commissioned its own report on the BBC proposal: Dennis Stevenson (chair of Pearson as mentioned above) was one of the two founders of the Specialist Research Unit (SRU) consultancy which wrote the report. I have not been able to trace a copy of the full report, only a summary in a letter in the National Archive to the Department of Culture, Media and Sport (Yorke, 2002). It contains similar comments to the BESA argument in relation to the need to avoid monopoly and provide for competition and choice:

*A BBC monopoly would significantly damage choice, diversity and innovation of digital learning resources in the UK*

*The result will be the BBC being the sole provider of many categories of digital learning resources which will inevitably lead to stagnation (Yorke, 2002, p. 2).*

The recommendation of the Digital Alliance and the SRU report is for a *balancing demand-side initiative* (Yorke, 2002, p. 2) which would allow access to government funds:

*The SRU report concludes that a five-year programme of £800 million is required to balance the BBC's investment of £150 million (Yorke, 2002).* The policy implemented was a government funded e-learning credit scheme for schools which supplied just over £400 million between 2002 and 2007 (Parliament UK, 2007).

### **Collaborate to Compete**

The third area of policy relates to HEFCE's online task force. In 2009 HFEC established an online learning taskforce (OLTF) which reported in 2011 when it published 'Collaborate to Compete: seizing the opportunity of online learning for UK higher education'. The remit of the task force was: *to address how UK higher education (HE) might maintain and extend its position as a world leader in online learning. It was also invited to consider international opportunities, ways to encourage flexibility in UK provision, online pedagogy ....*(OLTF, 2011, p. 3). This report directly references Pearson (but not other publishers) : *there are many sources of quality materials, content and tools, including private sector publishers and online educational providers, such as Pearson* (OLTF, 2011, p. 17). The taskforce members included Sobroto Mozumdar, President of Higher and Professional Education, Pearson Education Ltd and also received contributions from Roxanne Stockwell, Group Innovation Director at BPP, who moved to Pearson College in 2011. In its overall conclusions the report states:

*We want to grow the UK's share of expanding markets internationally and contribute to the national economy, sustaining the competitiveness and reputation of UK higher education both at home and across the globe. ..(OLTF, 2011, p. 4).* Here we see an echo of the competition state requiring collaboration to leverage advantage globally.

Like the other publications it refers to the need to develop educational technology with entities not in the public sector which implies the involvement of businesses : *there are also significant opportunities for partnership with private organisations to produce content that is interactive, responsive and pedagogically effective.*(OLTF, 2011, p. 7).

To conclude, there are three areas of policy related to education technology over the period between 1997 and 2011 that contain direct connections with Pearson. This coincides with highly active acquisitions of technology based businesses (see appendix 1), followed by a number of Pearson related research publications connected to educational technology (DiCerbo & Behrens, 2014; Fullan & Donnelly, 2013; Hill & Barber, 2014; Rickard, 2010). One significant argument in policy documents is the need for protection and encouragement of the commercial side of educational technology and in particular of software. A public institution is framed as monopolizing and state funding seen as unfair. This does not necessarily mean that state financing is to be avoided but rather that it should be fairly distributed. Competition may be suspended (a least in policy discourse) when the state and businesses work together for the benefit of the national economy in markets overseas (the competition state) , where they 'collaborate to compete'. This echoes the internationally focused policy documents discussed in 6.1.

### **6.3 Higher Education**

In this section I look at policy involvement connected to higher education. This section contains a more narrowly focused and detailed discussion as I found specific policy actions that require some explanation. As discussed previously there has been an expansion of numbers going into HEIs as first recommended by the Robbins report in 1963: *The Report emphasizes strongly the scale of expansion under way elsewhere, and insists on the need for comparable expansion here in order to keep pace* (Her Majesty's Treasury, 1963, p. 2). The need to be competitive is thus perceived as important as early as the 1960's and during the 'golden years' of the Keynesian state (Jessop, 2002) . Following the expansion of HEIs, there was a change to funding with the introduction of tuition fees and changes to institutional funding following the Dearing report of 1997. The move to student funded higher education has continued since then with fees increasing.

Finally, a third change is to administration, with QAA providing quality assurance mechanisms from 1997 and the student survey being introduced in 2005 (see appendix 2 for an overview of policy activity).

In connection with Pearson, I found two specific policies that show involvement: the first is student number controls (SNC) and the second is degree awarding powers (DAPs) which I will discuss in detail below. There are also less direct aspects, a significant one being the appointment of Sir Michael Barber as chief education advisor to Pearson in 2011. His involvement with Pearson covers all aspects of education, not just Higher Education, but I am restricting my discussion to this. Prior to working for Pearson, he had been an advisor to Tony Blair, then worked at McKinsey where he was also a member of the panel producing the Browne report on Higher Education discussed below. As education advisor to Pearson in 2013 he co-authored a report on Higher Education (Barber et al., 2013) which was published by IPPR, although all three authors work for Pearson. The appointment of a figure with strong political connections is significant and adds legitimacy to reports being published. The report on higher education, *An Avalanche is Coming*, makes the following argument:

*A new phase of competitive intensity is emerging as the concept of the traditional university itself comes under pressure and the various functions it serves are unbundled and increasingly supplied, perhaps better, by providers that are not universities at all (Barber et al., 2013).*

*Globalisation will continue to gather pace, but what we've seen recently, as in other markets, is the growing impact of technology, which threatens many components of the traditional university. As we shall see too, this new competition is not necessarily only at the level of the whole institution, it is also competition at the level of each individual component. When this happens, the unbundling of the existing institutions becomes possible, likely or even necessary (Barber et al., 2013, p. 32).*

The concept of unbundling universities is echoed in a Demos report 'Future Universities' (Grist, 2012), produced in collaboration with the Pearson Centre for Policy and Learning. Here the recommendation is more specific:

*The separation of teaching, grading and curriculum design should be a force for more objectivity in the higher education sector, reducing the variation of degree quality. (Grist, 2012, p. 40)*

*Handing over the majority of curriculum design and grading to an external institution (at least 70 per cent) will lead to efficiency savings. (Grist, 2012, p. 41)*



*...the best degrees all have large elements of standard practice and canonical knowledge that students must learn, and these should be able to stand scrutiny from external assessment and thus be more or less interchangeable across institutions.*(Grist, 2012, p. 41)

*...rationalising many degrees into far fewer but better respected and policed external degrees, so that employers and students had more of a guarantee of quality. Such a move would also go a long way towards protecting the reputation of English universities in a globally competitive market.*(Grist, 2012, p. 41)

The suggestion is for more standardization and a dismantling (unbundling) of universities into component parts where external organizations may oversee aspects such as assessment and 'canonical' or standardized knowledge (which could be delivered online). This is also framed as beneficial for export and branding purposes. Support for universities is regarded somewhat critically in *An Avalanche is Coming : clearly, any national government has an interest in ensuring its labour force is well-qualified, but does it also have an interest in supporting its own universities as opposed to those elsewhere? If so – and the case is easily made – how is this different from offering subsidies that in other sectors of the economy would clash with WTO rules?* (Barber et al., 2013, p. 62). Here the concept of fair free trade globally is evoked against government subsidies (funding); this echoes the argument with the BBC digital curriculum which argued against unfairness in government funding. It also signals the possibility of using GATS (discussed in section 3) as a tool to crack open the English HE system.

I will next give a brief overview of two specific policies followed by an analysis of how they relate to Pearson, namely: student number controls and degree awarding powers. I am dating this from the publication of the Browne review in 2010 as it is from this time I found connections with Pearson.

### **6.3.1 Student Number Controls**

As a result of expansion in HEI during the 1990's, student number controls were introduced in 1993 (economicsofhe, 2013). This was designed to protect the existing funding system from the stress caused by rising demand for higher education. It was implemented through a block grant to institutions for teaching related expenditure and could be allocated at the discretion of the institution.

In the Browne review the key ideas relating to student numbers are that they will and should increase and that funding should be implemented via students, not block grants to

institutions. Expansion is seen as necessary: *future economic growth and social mobility are at risk unless we continue to invest in higher education.* (Lord Browne of Madingley, 2010, p. 12) The projection is that there would be a 10% increase in numbers. Student number controls are seen as having a negative effect on the HE system, one reason being that as numbers are 'rolled forward' each year there is seen to be little change over time leading to more students wishing to attend than are able to (unmet demand). Student number controls mean that HEIs know they can fill places as supply exceeds demand. According to the review this constraint means that *growth within successful institutions is stifled; less successful institutions are insulated from competition; and students do not have the opportunity to choose between institutions on the basis of price and value for money* (Lord Browne of Madingley, 2010, p. 32). 'Students at the Heart of the Matter' (Department for Business Innovation and Skills, 2011) was published as policy recommendations arising from the Browne review. In this we see a further shift towards liberalizing the 'market' in students. It shows a continuation of the ideology of the Browne review but states: *we have no target for the "right" size of the higher education system but believe it should evolve in response to demand from students and employers, reflecting particularly the wider needs of the economy* (Department for Business Innovation and Skills, 2011, p. 49). Despite this, it does in fact nominate numbers, stating : *we are proposing a package of reforms to free up around 85,000 student numbers in 2012/13* (Department for Business Innovation and Skills, 2011, p. 50).

Aside from freeing up the numbers market (but apparently still with some controls) the Students at the Heart report also states that alternative providers should have access to government funded student loans: *we are keen to encourage diversity and competition in the sector so, as a first step, the maximum tuition loan available to first-time undergraduate students studying at designated private institutions will be increased to £6,000 for new students starting courses on or after 1 September 2012* (Department for Business Innovation and Skills, 2011, p. 47). This refers to loan entitlement but not to course fees – there is no recommendation of a cap on these (Department for Business Innovation and Skills Committee, 2011, p. 26).

This series of policy moves culminated in the Chancellors Autumn Statement of December 2013 where it was announced that: *the government will remove the cap on student numbers at publicly-funded higher education institutions in England by 2015-16.....From 2015-16, it will allow student numbers at alternative providers to be freed in a similar manner as for HEFCE-funded provision* (Her Majesty's Treasury, 2013, pp. 54-55)

### 6.3.2 Degree Awarding Powers

In this section I will outline key ideas policy moves connected to Degree Awarding Powers. These are approved by the Privy Council. The Privy Council as an historical body is seen by some as *giving weight and respectability to the processes for granting degree awarding powers and university title* and because of this is considered to have *helped to protect and uphold the reputation of UK higher education, especially overseas* (Department for Business Innovation and Skills, 2012, p. 43). Thus this body although it adds another layer of administration could also be seen as protecting the 'brand' of English HE.

The overall thrust of policy moves in this area, as with student number controls, is to liberalize and encourage competition. The aim is to *make it easier for new providers to enter the sector* (Department for Business Innovation and Skills, 2011, p. 5) and to have no unnecessary barriers for alternative providers. In sum, more organizations should be entitled to award their own degrees:

*We will make it easier for new providers to enter the sector. We will simplify the regime for obtaining and renewing degree-awarding powers so that it is proportionate in all cases. We will review the use of the title 'university' so there are no artificial barriers against smaller institutions. It used to be possible to set up a new teaching institution teaching to an external degree. Similarly, it was possible to set exams for a degree without teaching for it as well. We will once more decouple degree-awarding powers from teaching in order to facilitate externally-assessed degrees by trusted awarding bodies.* (Department for Business Innovation and Skills, 2011, pp. 5-6)

This echoes the previously discussed arguments in Grist (2012) and Barber et al. (2013) for unbundling. Thus, not only would it be easier to get DAPs but also institutions that don't teach would be able to award degrees: the so-called exam board model (Department for Business Innovation and Skills Committee, 2011, p. 66). It seems that this would require legislation (Department for Business Innovation and Skills Committee, 2011, p. 137). However, in the Chancellor's statement of autumn 2013 there was no mention of Degree Awarding Powers and no legislation appears imminent.

### 6.3.3 SNC and DAP Policies and Pearson

In this section I discuss the above policies as they relate to Pearson. I have organized the analysis around the social policy principles of markets, competition and choice. 'Students at the Heart' was a white paper with recommendations and therefore required consultation and debate following its publication. It should be born in mind that Sir Michael Barber, now

a Pearson employee, worked on the Browne Review on which the white paper was based. Pearson College contributed to the consultation process on 'Students at the Heart' and the following analysis is based on documents produced for the consultation, as well as, think tank papers that acknowledge Pearson's connection, and government documents.

## **Markets**

There is a preference from government for freeing up the market in student numbers and degree awarding powers to alternative providers ( which means any non government funded organizations). The Browne report does not mention it in these terms but rather as expansion. However, in Students as the Heart the signal is explicit:

*We are committed to opening up the higher education market, including to further education colleges and alternative providers, to meet the changing needs of employers, individuals and their communities*

(Department for Business Innovation and Skills, 2011, p. 10)

*If left unchanged, the current system would also prevent new providers from entering the market, as they have no means to get access to a student allocation* (Department for Business Innovation and Skills, 2011, p. 48)

Opening up the market is likewise seen as beneficial by Pearson College. Their proposal is for a separate independent sector with access to government loans for alternative providers and the payment by private organizations of a recruitment premium which would cover the RAB rate for government (the resource accounting and budget charge) 'which is the amount that you think you will not get back' (Department for Business Innovation and Skills Committee, 2011, p. 142). The comments below come from Pearson College's response to the government consultation on student numbers, mainly presenting the financial advantages to free growth and alternative providers :

*It should generate competition on fees for many of the public universities, as well as innovation and other efficiencies, and this could well outweigh any minor subsidy generated by student loans....*

*....any student undertaking a degree at an AP will do so at less cost to the tax payer than at a public university. This is partly due to the borrowing cap and partly due to the range of other subsidies and tax benefits that public universities receive*

*.....This means that in financial terms it would be beneficial to allow the AP sector to grow freely,(Pearson College, 2013, p. 16)*

*We believe the aim should be to contribute to building a high quality, world leading, independent HE sector The best way to achieve this is through an Independent Sector that operates in as close to a free market as possible*

*Ability to grow freely is considerably more important than access to a subsidy as it is this that will drive innovation and new ways of working, and indeed new and innovative ways of financing HE (Pearson College, 2013, p. 9)*

*Our main recommendation is .....for the development of an Independent Sector that allows non-subsidised growth within a free market (Pearson College, 2013, p. 14)*

Thus Pearson's view is unequivocal in the consultation response and is ideologically (although not in specific policy recommendations) aligned with government policy. A true free market would allow unfettered access to student loans but if numbers are controlled that limits the potential for growth. Increasing student numbers could be problematic for business if it exposes the government to financial risk through the loan system and might therefore lead them to continue with 'anti-commercial' policies. This explains Pearson College's suggestion for a loan system where part of the risk would be covered by fees from the private sector (a recruitment premium paid by private institutions).

When I came to research the documentation related to Degree Awarding Powers, I found a detailed response to consultations was not available (although it was for student number controls) and would need to be requested under the Freedom of Information Act. One can speculate that this could be to do with commercial sensitivity. There is a summary published by BIS but it is not specific and does not attribute names to responses. The Pearson related document sources indicate that strict controls should be applied. The Demos paper 'Future Universities' which acknowledges the support of the Pearson Centre for Policy and Learning report makes the specific policy recommendation: *Maintain tight controls on degree awarding powers through the Privy Council* (Grist, 2012, p. 39)

In a marketized HE system, regulation and oversight with data publication (e.g. student and annual charge surveys) and financial penalties, such as fines, for institutions or compensation for students (Department for Business Innovation and Skills, 2011) are regarded as the motivation for adherence to standards and as the way to protect students: *the interests of students will be protected by minimum levels of quality enforced through regulation* (Lord Browne of Madingley, 2010, p. 2). This is presented as needing to be minimal and not burdensome to business. Thus, in *Students at the Heart*, regulation

collocates with – ‘strip back’, ‘excessive’, ‘burden’, ‘unnecessary’, ‘reduce’ two examples of this are cited below:

*We will strip back excessive regulation on providers wherever it is possible including: reducing burdens from information collection; exploring whether it is possible to reduce the costs associated with corporation tax returns; and adopting a risk-based approach to quality assurance* (Department for Business Innovation and Skills, 2011, p. 6)

*...ask the Higher Education Better Regulation Group (HEBRG) to look across the complex legislative landscape to identify areas for deregulation whilst safeguarding students’ and the taxpayer. We are particularly keen to ease the burden of data collection on academic staff* (Department for Business Innovation and Skills, 2011, p. 12)

The Pearson response to consultation on number controls differs from the government in that ‘regulate’ collocates only with QAA (The Quality Assurance Agency). There is no sense in the text that regulation should be curtailed as there is in the government document. Quality assurance is seen to be important as we can see from the two examples below.

In their preferred parallel system there would be: *a free and Independent Sector, with its quality regulated by institutions with DAP who are themselves regulated by the QAA* (Pearson College, 2013, p. 7).

*In the UK all degrees are quality controlled by an institution with DAP. That institution is itself regulated by the QAA. Any over recruitment is a result of students choosing the programme at the AP. Over recruitment is a sign of success, the programmes are subject to quality assurance mechanisms, and so long as the tax payer is reimbursed over recruitment should not be seen as undesirable.* (Pearson College, 2013, p. 14)

One might expect business to prefer fewer restrictions but Pearson would not benefit from loss of control in the system. A completely open market could risk reputational damage if low quality businesses were allowed to enter. It would also lead to more competition for Pearson. They focus on quality control as a safeguard in the free market –this is expressed in the Demos paper ‘Future Universities’:

*The White Paper also proposes making it easier for institutions and bodies to award degrees – this move should be resisted if it goes beyond streamlining needless bureaucracy to lowering the bar in terms of quality assurance and risk assessment. In a choice-led system, neither students nor employers will be helped by even more uncertainty about the quality of degrees. This isn’t to say that new degree-awarding powers shouldn’t be granted, rather that the process to win such powers should be rigorous, demonstrating ability to maintain standards over a period of time* (Grist, 2012, p. 39)

## Competition and Choice

Competition and choice are seen as the means by which students will receive a better service therefore HEIs should not be *insulated from competition* (Lord Browne of Madingley, 2010, p. 32). In the Browne review competition is mentioned as improving quality. A strong collocation in this report is that competition will benefit students:

*Competition can also be increased to the benefit of students by allowing new providers to offer higher education teaching* (Lord Browne of Madingley, 2010, p. 49). In 'Students at the Heart', the theme of competition continues and is seen as competition between institutions for students and is also linked to diversity of provision: *we are keen to encourage diversity and competition in the sector and to efficiency and quality: the forces of competition replace the burdens of bureaucracy in driving up the quality of the academic experience* (Department for Business Innovation and Skills, 2011, p. 24).

If we turn to Pearson's consultation response again we see an alignment with government in viewing competition positively: competition collocates with free, open and healthy suggesting a liberal agenda. The benefits to competition are also framed in financial terms: *..one of the effects of a dynamic AP sector will be competition on price, and if that competition helps drive down tuition fees in many universities then this will reduce the student loan book and tax payer exposure* (Pearson College, 2013, p. 3).

Another aspect in the way that competition is framed in both government and Pearson documentation is as needing to be fair, relating to the idea of a level playing field:

*Barriers to fair competition for students...To achieve this choice for students, all higher education providers, whatever type of course they offer, must be able to compete on a level playing field. At the moment, the system treats them very differently; current rules for controlling student numbers and awarding degrees can make it difficult for colleges and alternative providers to compete with universities for students.*(Department for Business Innovation and Skills, 2011, p. 47)

*The implication seems to be that alternative providers will simply be granted their current numbers. This approach seems anti-competitive and would provide a serious barrier to entry for future APs. It is very difficult to see how this could possibly be seen as opening the HE sector up to genuine market competition, as it would effectively freeze APs at their current size. It is also very clearly not a level playing field even within the AP sector* (Pearson College, 2013).

However, Pearson do not see a move to a cross sector 'level field' as realistic within a short time frame, instead they see it as best introduced into a parallel independent sector. Their reasons for this are that:

*Many of the features of the public sector that create the uneven playing field are deeply rooted in history and traditional ways of working and methods of funding. In some ways this goes to the very heart of the purpose of public universities. To convert this into a level playing field in economic terms would take time, and would need to be done with great care so as not to damage the underlying reputation and quality of the public university sector* (Pearson College, 2013, p. 11).

For Pearson College, it appears that market forces and competition are seen as desirable but also as threatening 'historic ways' that have helped create the brand of English universities. It is seen as necessary to maintain that tradition (an example being the Privy Council). A parallel system would allow the 'old ways' to provide legitimacy for the new without limiting its growth. There is therefore an interest in maintaining elites and this is evidenced in *An Avalanche is Coming* (Barber et al., 2013) where an analysis reveals a bias towards prestigious institutions as positive exemplars. By elite institution I mean those that are considered to be 'top', 'leading' and belonging to a prestigious group such as the Ivy League and Russell Group. An analysis of word frequency of the named institutions reveals a high level of frequency for elite institutions. For example, of 83 citations of US institutions 65 referred to elite institutions (78%), of 33 citations from the UK 28 referred to elites (84%) although for the rest of the world it was 14 out of 26 (53%).

In theory, the market and competition are able to work as an effective organizing mechanism because they allow choice and choice works because it is seen as an arbiter of quality and efficiency. This approach creates a demand led system. For example, the Browne review comments that student *choices will shape the landscape of higher education* (Lord Browne of Madingley, 2010, p. 4). We can see from the documents that choice is also framed as connected to finance in both government and Pearson documentation:

*Putting financial power into the hands of learners makes student choice meaningful* (Department for Business Innovation and Skills, 2011, p. 5).

*We want to ensure that the new student finance regime supports student choice, and that in turn student choice drives competition, including on price* (Department for Business Innovation and Skills, 2011, p. 19).



*Many focus strongly on value for money, for example by offering efficient accelerated degrees or by keeping tuition fees highly competitive. This translates into benefits for students by providing more choice and encouraging innovative approaches to HE* (Pearson College, 2013, p. 3)

*...this (free growth of student numbers with access to loans) would give all students in the system the choice of studying at an AP, instead of limiting this to a small sub-section of students that can afford private finance* (Pearson College, 2013, p. 16).

*For Pearson this as an opportunity to supply demand and to respond to the needs of the student as customer: APs can offer a different approach to HE than the more traditional UK universities. They tend to focus on teaching and learning rather than research, and because of this are likely to be particularly responsive to student demand and the student experience as students are their key stakeholder.* (Pearson College, 2013, p. 2).

To sum up, in the policy connections between Pearson and higher education there is a preference for a free market but this is qualified by Pearson when it comes to limiting access by alternative providers. There is also an interest in maintaining elites and tradition in order to leverage educational branding. Funding via students is perceived to increase student choice which in turn will help ensure student satisfaction and be efficient in terms of financing. As with other policy areas there have been a number of Pearson connected research publications related to higher education accompanying the policy activity (Barber et al., 2013; Candy, 2013; Grist, 2012; Lloyd, 2013)

## **6.4 Conclusion**

To conclude this chapter I refer back to my first research question: what connections are evidenced between Pearson and government policy? In answering this I found strong connections to policy in all three areas that I looked at. This is evidenced in a variety of sources:

Responses to government consultation on changes to policy, exemplified in the study by student number controls and degree awarding powers policy recommendations.

Production of reports directly commenting on future policy directions, as in the Stevenson report.

Lobbying through affiliation with business organizations, such as BESA.

Publication of research, either directly via the Pearson think tank (now called Pearson Open Ideas), through proxies evidenced in the study by social policy think tanks such

as IPPR and Demos, or via collaborations with public bodies such as HEFCE evidenced by the OLTF (2011).

Political connections to the Blair government evidenced by Lord Stevenson's connections and the appointment of Sir Michael Barber as education advisor enhancing political networks and legitimacy.

Use of Pearson produced data by government publications evidenced in the study by the International Education report (Department for Business Innovation and Skills, 2013a)

It is clear that Pearson is closely involved with government policy. This does not imply that interests are always paralleled. When it comes to opening markets and competition, the government's stated commitment to this does not always best serve Pearson's interests.

## 7 Recorded Data

### 7.1 Introduction to Recorded Data

In the next section I present data collected through recording unstructured interviews. I outline in the table below the people I recorded and have assigned them aliases. These include two people involved in a Pearson project and I have included contextual background information on this below

**Table 8 List of Interviews**

Name	Affiliation and location
Stephen	Pearson employee at Pearson College UK
Matthew	Pearson employee UK
Sarah	Pearson employee UK
Neil	Senior management on Pearson project, working for institution A -The Gulf
Gary	Materials writer on Pearson project, working for institution A – The Gulf
Toby	Company B employee UK
Thomas	Company B employee ex Pearson employee UK

### Background to the Project

I recorded two people, Neil and Gary, who were involved in a Pearson Project but who had never been directly employed by Pearson. Reporting on this was somewhat problematic in that the project will be clearly identifiable if I give too much information and I am bound by ethics to maintain confidentiality for those involved. The project is of value in the study for a number of reasons. Firstly, it draws together the three areas of core business strategy and policy outlined previously: it is in one of the emerging markets targeted by UK government policy, it involves a digital product and is based in a higher education context. Secondly, I have direct experience of this and it therefore adds validity to the case. Finally, direct experience and access to those involved enables a level of triangulation where it is possible to view how policy and company strategy is done ‘on the ground’.

The project was initially reported in the press as a strategic partnership that would implement a holistic program covering everything from a digital placement test, learning analytics to teacher development and technical infrastructure. The aim of the partnership was to boost science and technology in Arab Society.

An MOU, which was reported as a long term vision, was signed between the institute and Pearson. A 5 year contract was signed and the project initially aimed at producing a digital e-text for students to use on iPads. However, despite the vision presented in the press, the project came to grief after approximately two years and the institute involved disengaged themselves. It appears that legal discussions surrounding the contract and ownership of the material produced are ongoing.

I have divided the recorded data into two sections grouped by concepts. The first looks at social policy principles of market, competition and choice in order to address the research query: how are social policy principles of market competition and choice characterized? The second looks at the nature and behaviour of the firm and employees to address the query: how is the role of company structure and behaviour characterized in practice? As I mention in the methodology chapter, my aim is not to understand perspectives and over interpret understanding but rather to remain at the level of discourse (Foucault, 2002, p. 53) and interpret how things are talked about as practices that relate to other text sources

## **7.2 Social Policy Principles**

### **7.2.1 Markets**

As we saw in the policy history previously, the market is characterized in different ways. Thus we saw with DAP and SNP that an independent sector that operates in *as close to a free market as possible* (Pearson College, 2013, p. 5) was viewed as desirable. In digital education it was desirable for the government to assist in creating a market and supporting business financially: *benign neglect, one-off short-term initiatives and over-reliance on the market are likely to fail* (Stevenson, 1997, p. 4) In international education policy the market relates to geography and, characterized as countries to act on and in, becomes entwined with the nation state. In this section I will examine how the market is characterized in talk from people involved in practice.

## Geography

Concepts revolving around geography were common and recurring in all recordings and relate to brand market size and internationalization. Firstly, geography is seen to be important because of branding. In the recordings, markets are identified as countries which have brands. Hence, there is a marriage between the commercial entity and the nation state. In the case of Pearson the UK brand is significant, more so in fact than the US. Whatever happens in the UK with education has the potential to affect global branding and is therefore of interest to Pearson:

*(the CEO wanted to)... turn an organization .... into the world's largest education company and the UK business was central to that I mean I know its massive in the US but making it global the UK was really important (Thomas)*

*Because the UK education system you know exports very well globally it's a really good starting point (Thomas).*

*so getting it right in the UK for Pearson was good because then it could export more widely internationally and also marry really developed markets that as I say exports education you know quite a lot (Thomas)*

Geography and the size of the market are also significant. As with the policy documents, smaller markets are not seen as desirable (this was also evident in Toby's comments on company B), although the concept of the niche or customized market is also evident. A product needs to be generic enough to be used at scale in a large market and at the same time to be 'repurposed' (Toby) to suit particular customers. This links to geography in the form of nation states and regions. Although markets are characterized and differentiated as countries or regions, strategy is global: Pearson want *one correct way of marketing and selling products and one strategy* (Thomas), this gives a sense of central control. The local can be difficult to deal with (evidenced, for example, in complex relations and motivations I observed in the project) and is inconveniently small. Regions are preferable as they provide a larger market. This creates an unresolvable tension which is evident in the talk from the project recordings. Pearson wanted a product that could be used regionally, whereas the people directly involved with educating in institute A, wanted something for their particular students, a local product. The educational requirements of the particular students did not seem to be the priority for the Pearson employees. For example Gary the materials writer working on the project, commented:

*Many times we'd be talking about you know local references and they'd be saying well you know it's not gonna mean much to somebody in Saudi or its not gonna mean much to*

*someone in you know and I'd say well we're looking at our customer base here you know but they're looking at somebody else* (Gary)

On the other hand, a specialist product can be produced if the market 'allows': *we've just created a qualification that's specific for a market because that's **what the market that's what the students need*** (Sarah). There was a definite slip here which I have highlighted, as referring to what the market needs was self-corrected to what students need. Hence, the market is said to be a restriction and a clear influence on practice, but is also not preferred as a way of talking about what is happening. The discursive choice here is not to make education appear to be about the market but about what students want or need.

### **Size**

Words related to size frequently collocate with market (massive, wider, expand, really big).

A market needs to grow, expand and this is what it is 'supposed' (Stephen) to do.

'Supposed' implies an inevitability or expected behaviour. If this is transposed onto the education domain then education too has to grow as a market because that is what markets are 'supposed' to do, unless someone or something stops them. Student number controls, which limit the market, is an example of this and was commented on by Stephen: *the minute they take the cap off the private colleges do what they're supposed to do ... exploited a loop hole in the student number control and expanded their numbers massively and we want to expand and then BIS says why no we've given you 50 SNC that's it that's your lot that's totally anti commercial you want to invest in marketing and you want to expand your provision* (Stephen). However, unlimited growth may be problematic in education markets, for example Stephen commented on the need to maintain quality by keeping the 'club' of private HE providers exclusive: *what it's like it's like Groucho Marx you know who wants to be in a club that I can be a member of I mean you wanna be good to be in the club and we don't want the bar lowered and that is the problem that I feel that there has been a little bit of bar lowering to allow in some of the more commercially minded more commercial companies* (Stephen)

Size and market were seen to be linked and to affect what is offered in education. A subject, course or book will only work if market size allows it to as mentioned above. For example a digital course is described as *a difficult task and its expensive...what's my business case how many people am I doing this for oh well my archaeology course works for 20 undergraduates a year and you want this massive online environment* (Stephen). A subject like maths is seen as attractive because of size:

*At the moment Pearson has the largest market share in GCSE maths it's really important it's a really big market because everybody does math (Thomas)*

*We do the Mylab stuff... we've got products which are tailored to our needs... We can only do that cos maths is a big subject (Stephen).*

These comments indicate that what is valued as content relates to what can feasibly be produced at scale from a business perspective. This implies a reduction in choice *because* of the market in contrast to what theory and policy suggest. With the case of math in relation to higher education, this could lead to a prioritizing and problematizing of basic skill deficits as with the notion of college readiness and remediation. This was part of the long term vision for the project I looked at in the Gulf and is also a feature of Pearson documentation in the US where college and career readiness is framed as *a national issue affecting every part of the K-20 education system, as well as the economic stability of the nation* (Pearson, 2014n). The business prospects offered (through economies of scale and scope) by these *serious shortcomings* (Pearson, 2014n) in the US could be rolled out globally.

To sum up, the market is not portrayed as a neutral or homogenous entity but is characterized as variable. At times it seems to be talked about as if it were a living entity: it can be difficult, it can limit and control (allow) what happens. There is also an unresolvable paradox in education markets in that the need to grow and expand may conflict with perception of quality. Finally the market is not entirely free as it of itself creates restrictions on what it 'allows' in terms of education provision.

### **7.2.2 Competition**

In chapter 6 in relation to policy, competition is perceived in a positive light as benefiting the consumer (the student), or the country's economy. It is framed as a driver of quality and value for money and as an unavoidable imperative for business growth overseas. I also noted that organizations may seek to collaborate or merge in order to avoid competition or to fight what are said to be damaging state monopolies. In this section I will look at how competition is talked about in the recorded data.

#### **Who Competes**

When I met with Toby from company B it was definitely the case that Pearson were seen as a major competitor in his sector:

*From a corporate perspective my organization I am sure we regard Pearson as easily the biggest competitor as well I mean the biggest in the market we're talking English language teaching here.*

However this was not seen to be the case in reverse. When talking about Company B, Thomas commented:

*(Pearson) doesn't want to spend its time competing with a dinosaur like B when that's the past he (the Pearson senior manager) needs to make sure that he's ready to deal with you know big data digital world..its processes weren't digital and its quite hard to turn a big big multinational round in that sense you know it's not Apple it's not Facebook it's not Google it's not Microsoft but that's who it sees its main competitors as being*

*I bumped into (senior manager at Pearson UK) the other day a couple of weeks ago and he said oh you're working for B and just chatting and he said oh well we don't see you as competitors anyway*

*(Me) Why?*

*Well what he's saying is the people we see as competitors are Google*

*Well you see if Google Google's got access to so many people that if Google wanted to it could create a qualification it has access to so much data that it could very easily steal education I mean Google's very interested in the education market very interested*

The competition Thomas mentioned relates to modern technological and digital commercial organizations, not to traditional education 'dinosaurs'. There is a sense of existential anxiety in the comments:

*Well quite a lot of people are thinking about badging and how to link individuals progress with digital is pretty difficult but really I think what Pearson is saying they are concerned about Kodak ... in terms of Kodak failing ... it was a big it was a massive massive business they knew that digital photography was a big deal and they couldn't do anything about it and they went bust and I think Pearson is very worried about that (Thomas)*

In contrast to competition from digital giants there is also competition from small sized groups:

*They compete against as I say Google Facebook erm Microsoft the people they are also competing against 3 or 4 people you know who set up their own little digital service people who've set up low cost schools in sub Saharan Africa and made money doing that*

*(Thomas). One way to manage that is to turn your competitors into your customers: if you have really good value products and services then those people can be your competitors can also be your customers (Thomas). This could relate to the business strategy of 'affordable learning' for low income customers (beyond the remit of this study).*

Another source of competition is described by Thomas: *who are they competing with they're competing with anybody*. This is a reference to the ease with which resources can be created and made available on the internet with open access sources. An effect of this



for the company is seen to be an increase in the importance of brand and the need to 'badge digital quality'.

Finally, for Stephen, certain universities are viewed as competition as Pearson want to *be up against the very best university courses*. This implies an interest in elite or highly ranked universities, to be 'top level': *we want DAPs and we want the status of this because obviously it adds to BTEC as a brand and also confirms and underlines Pearson's status as a provider of top level it's great for us it's a doorway to great things ...*(Stephen). This echoes the interest in maintaining elites discussed in the policy section (6.3.) on higher education.

### **The Nature of Competition**

Next I examined what is revealed in talk about how competition may be 'done' or characterized in practice. Competition like markets is not presented as a straightforward concept. Firstly, it seems that competition does not necessarily always bring true innovation or 'new ways of working', which is one of the arguments put forward by Pearson for allowing private provision in HE (Pearson College, 2013). It can mean more of the same and imitation. For example, Matthew commented on the concept of universities from outside London beginning to offer courses there:

*...you'll probably find that in London there are a lot of similar institutions actually run by the mainstream universities*

*It's probably quite a lot of higher education delivered in London I read somewhere quite large numbers of universities actually offering courses in London because of that sort of demand*

Thus, there could be said to be a 'herding' effect with organizations competing through following what others are doing (this may relate to the argument put forward by Stiglitz and Greenwald (2014) on the effects of competition as possibly reducing innovation).

Competition was talked about as a form of improvement through imitation by Toby who commented on Oxford publishing:

*Yeh we just saw what they were selling and did it better it's not very often that you can do this ... a book called Q Skills has been used ....we just looked at that looked at what the weaknesses were and basically made something to beat it*

In the project, Pearson were disadvantaged by their failure to acknowledge this exact same competing product, something commented on by Gary:

*They didn't seem to know what the industry standards were for this that's another thing cos I think Oxford you couldn't mention Oxford the obvious thing would be to bring in a*

*Q Skills put it up you know and say we have to do better than this that was never done that was never done there was never a model that was put up for us*

*(Me) Why couldn't you mention Oxford?*

*I don't know it wasn't our place to say we were you know foot soldiers we piped in when we could .. we couldn't be don't know it just didn't seem our place we assumed that they knew what they were doing that's until it slowly sort of became clear and then it was too late*

*....everybody knows there's a perfectly mature app available from another publisher but we can't use it because at the top levels of A there's this relationship you know.*

The above comments reveal a failure of competition due to the presence of connections between powerful elites and a sense of self-imposed censorship.

There were comments in the project recordings that evidence absence of competition. The project was awarded with no competition and was seen to have happened because of elite relationships:

*they contacted us so we didn't ask them they came to us – so there wasn't a tender or anything like that there was no pre-qualifying or anything like that (Neil)*

*I know there was no tender they came to us they let themselves be known that they let it be known that they were around..... Are you recording this?*

*(Me) Do you want me to put it off? (The recorder)*

*No I don't... I reckon it was the sheikh saying lets go with a company to develop materials and why don't we think about this one (Neil)*

*It seemed to us that there was this relationship at the top that kept this contract going more than anything else (Gary)*

So businesses are not necessarily efficient in working with competition, nor does the presence of business necessarily mean that competition occurs. It seems that powerful elites within Pearson and within the education institute or perhaps within the ministry had influenced the efficiency of the service provided. People working on the project even though they were aware of what they considered to be a better product felt unable to voice this or to use 'the competition' to improve the product being worked on. Here competition is not acting as a driver of a better service but is being ignored or avoided because of the effects of elites.

At times competition was said to be 'wrong' or 'inappropriate'. For example, it was commented by Thomas in relation to exams that: *the possibility of a single exam board for*

*single for certain subjects was going on because...one of the feelings was that exam boards were competing on the wrong things how do you win market share? The contention was you win market share by making exams easier.*

If there is a high level of competition then the organization needs to take actions that ensure its products 'win'. It had been suggested by an undercover journalist that Edexcel was making exams easier in order to make its product more attractive. There was also a suggestion that the teacher training services Edexcel was providing were 'helping' in the wrong way:

*the person who's giving you the training is the principal examiner they know they know the paper and if you ask the right questions or if they are indiscrete or whatever the contention was that they could help you to teach less essentially and get better grades which is obviously a big...that was happening and I say that it wasn't but... there...to some extent in some ways it may have been happening (Thomas)*

This could be interpreted as 'natural' behaviour for businesses which seek to provide customers with what they want. There is also a comment from Thomas that business can provide for the masses and give customer satisfaction:

*Pearson has a...tends to have a fairly straightforwardly utilitarian view of education you look at the performance table that teachers that matter so much to schools in the country but to individual teachers careers the number of kids that they get over the C boundary was everything you know so if you could say come to us this exam board you'll get more kids who'll get at least a C then that's a really big thing to be able to say (Thomas).*

A suggested solution to this (which was not implemented) was to reduce the available market through single boards for single subjects which would be put out to tender (monopolistic competition). Thus there would be fewer options to compete for but perhaps more intense competition as a result. Here the nature of competition is called into question. This issue was seen to have arisen because of exam boards competing in the wrong way.

Competition can also be 'wrong' when it's limited by collaboration. One example mentioned was the connection between publishers and exam boards:

*the other contention was if you have too close a relationship between er the exam the specifications in the questions and the textbooks then you've got an inappropriate form of competition going on there you know because we an exam board is writing the text books and writing the questions a they're very close but also that market share as I told you at the beginning the importance of the textbook and the exam means that you can write a*

*beautiful specification you know but if there's nothing to support it no one's going to support it (Thomas)*

Here the problem is not seen to be too much competition between different organizations causing the 'wrong' kind, but 'inappropriate' competition caused by different business sectors within one company working together to increase their ability to compete. This would create larger blocks of business within one organization and demonstrates the commercial case for combining and collaborating as opposed to splitting and fragmenting which is necessary to create competition. This is not something limited to Pearson but was also evident with company B:

*B assessment has always been quite profitable you know with exams B (publishing) has not been as profitable but it creates materials that are used by people who study for the English language exams so there's been a conscious effort .. to bring those two together and they have been brought together (Toby)*

*B has woken up and the exam part of it and the publishing part of it are coming together and that's much stronger competition for them so I think that if we do it right then we do have a very strong brand (Toby)*

The strategy for dealing with inappropriate competition within a company was said to be through risk management. This echoes the risk-based approach to quality assurance mentioned in recent HE policy discussed in section 6.3.3 (Lord Browne of Madingley, 2010, p. 6) . This was not limited to Pearson but was also commented on by Thomas as happening in company B:

*(Me) That's what's happening now isn't it exam boards collaborating with..(publishers )? Yes that's part of my job is to do that for B*

*(Me) There's no sense of that being inappropriate?*

*Well there are regulatory well there is a very strong sense of it being an area of risk that needs to be managed very carefully.*

The concept of risk here seems to imply risk to the organization as in a 'risky area of business' (Thomas). This means that people who are risk averse may avoid being involved in certain activities: *running training on qualifications it wasn't as risky as people thought well that wasn't going to happen again but nobody else wanted to do it (Thomas)*. It seems risk management involves reducing the chances of reputational damage to the organization. Regulation is seen to be the mechanism that manages this:

*(Me) How did the risk management happen?*

*Well Ofqual the regulator they consult on it and then the outline a series of general conditions of recognition that awarding organizations must comply with in order to*

*carry on being awarding organizations and those general conditions of recognition include how showing how that organization manages those risks.*

In contrast to the competition between exam boards within the UK, in another comment by Sarah, boards are said to be cooperating in order to compete internationally. This echoes the 'Collaborate to Compete' document discussed in section 6.2:

*Five awarding bodies that work together I think it's important to because their whole remit is to raise the profile of Britain overseas to encourage mobility whether it's to the UK or from the UK (Sarah)*

Competition within the country is framed differently from competition internationally. There is a strong sense of the nation state when talking about international competition (for example with the notion of country as a brand that needs to compete) and this is seen to result in organizations that compete within the country appearing to work together outside the country.

To sum up, competition was seen to arise for Pearson from multiple sources and represented in different ways. It comes both from large corporations and small units, perhaps reflecting a polarization in scale which reduces a role for the meso level. Significant competition was seen to come from putatively non-educational large high tech companies like Google, Microsoft and Apple. At the same time it comes from diffuse small entities, 'anybody'. It is characterized as from both high tech, modern companies and heritage education. There was an interest in competing against 'the best' higher education institutions but also an interest in a utilitarian function for education. Competition could sometimes lead to imitation rather than innovation, was absent or suspended when convenient and subject to the effects of power relations and the nation state. It was also described as inappropriate and wrong at times. Inappropriate behaviour may appear to provide benefits for some whilst at the same time undermining standards. The management of problems arising from this was seen to come through regulating risk. Competition seems to be highly complex and fluid with competitors also becoming collaborators or customers. Pearson may be vulnerable whilst at the same time seeming powerful.

### 7.2.3 Choice

In this section I have also included some references to decisions. Although a decision is not precisely the same as a choice, I have included references to decisions where they seem to impact on choice. What is more, the idea of an 'informed decision' has become attached to the notion of choice.

#### An Informed Choice

Firstly, as discussed in the literature review, ability to make a choice in a liberalized economy requires information which becomes an important tool for organizations and individuals. Choice needs to be 'informed' and in the company literature this is linked to technology and big data. Digitally enhanced decision making is referenced in the document *The Digital Ocean* which states: *The goal of data science is to inform decisions* (DiCerbo & Behrens, 2014, p. 10).

Tariffs, league and performance tables as carriers of information are mentioned in the recordings: *we're all in the business of measuring stuff and judging in terms of league tables* (Matthew). An example from the recording is the degree finder website mentioned by Sarah: *to help them understand their options basically .. ... that is growing now that we have quite a lot of established university relationships we don't want to overwhelm students with information .. it's a little bit overwhelming um so what we want to do is build our support services side and to really not just list universities but help students make an informed decision and that's something that we'll really focus on from next year.*

The wording 'informed decision' is echoed in *(Un)informed choices? University Admissions Practices and Social Mobility* (Candy, 2013), a Pearson research publication critiquing the admission procedures of Russell Group universities and recommending the collection of *robust, individual-level contextual data and an evidence base to be developed to underpin widening participation activities* (Candy, 2013, p. 39). Managing information and choice can be seen to offer service business opportunities.

#### Global Choice

Choice is framed as global. Enabling student mobility globally is seen to be important to Pearson as evidenced in their interest in the effects of immigration policies that restrict students entering the UK (Pearson, 2011). Pearson's exams taken internationally need to be on the UCAS tariff which *was developed to allow for broad comparisons to be made about a wide range of qualifications by universities and colleges and to help them with their management information*(UCAS, 2016) so that a student in any country acquiring

qualifications can have the information required to apply for courses from anywhere to the UK. Sarah commented on this as being a direction that Pearson wishes to develop further: *I think that one thing that Pearson really wants to ...supporting students in being mobile cos a lot of students do they have the ambition to study around the world and....to really make sure that that information is readily available and they have the knowledge to make a really informed decision.* There are seen to be no geographic limits to receiving information that assists in making choices or to the places students might consider as a 'destination' in that process. This echoes comments in *An Avalanche is Coming* (Barber et al., 2013) on one of the authors, employed by Pearson: *When Saad was choosing a university for himself, his search went across institutions in Pakistan, the US, UK, Canada, Australia and Singapore. The location was not relevant – only the quality of learning, the opportunities offered and the extent of financial aid.* (Barber et al., 2013, p. 10). Here we see student choice framed within a world of free movement belying the problematic nature of mobility for many. This view of global choice also opens the world as a market for aligned government and business objectives as discussed in section 6.1 on international education policy.

### **Positives and Negatives**

Choice was represented by Thomas as positive because people can follow self-interest, for example, by choosing easier options educationally as with the Edexcel exam revelations mentioned earlier: *will my kids do better with Edexcel I am gonna chose which one to do and she said yes its lighter* (Thomas). Also education is seen as a mechanism that gives people choice in relation to the economics of life. Thomas commented on wider access to education as promoted during the Blair government in conjunction with what he calls Pearson's economic and utilitarian view of education:

*the idea is that everybody should have access to education it's good for UK PLC but it's also good for individuals it's good for people because of what they can do so they can have more control over their lives make decisions have more economic it's an economic argument* (Thomas). The economic relates to education as a practical means to improve one's lot.

However, choice is not framed as an unproblematic concept. It can be 'overwhelming' (Sarah). Too much choice is a problem and you may need help with it and therefore a service can be provided to accommodate this. Choice can also be 'hard': *customers don't switch away very easily you know it's hard to change bank account imagine schools deciding oo I'll switch exam boards* (Thomas). The choice might also be 'wrong' (relating to

ideas of choice architecture and nudge theory): *well you're relying on the students making the right choices now the problem for the government is that at some point they might make the wrong choice they might all go on media courses after all employability is much higher* (Stephen).

Finally, there might be an absence of choice, evidenced in the Project recordings: *we were confident we were going with a different company ..and that was the one we'd have been quite happy with.. and then out of the blue we were told that a contract's been signed with Pearson* (Neil).

### **Who Makes Choices?**

In this section I look at who is making choices and with what constraints. In the project it was evident that there was no choice for teachers, managers or students and in fact the preferred choice was ignored. Toby from company B described decisions in relation to the country where the project occurred as political: *the decisions to go paperless in ... for example those were politically motivated you know and not very practical and a lot of the teachers realized they were not practical from a very early stage*. Elites made decisions, excluding choice for others with unsatisfactory results.

Thomas commented on how the nature of who makes choices and decision is significant for Pearson:

*I think what they are really concerned to do is to be ready for a change where the consumer in education is more and more the learner themselves so already our children for example they have access to these iPads or iPhones and so on and they will access learning resources so that decision is now being made by the learner or the learner's parents and rather than the school board local education authority a school a teacher even its very direct*

Choice here is seen to be atomized to the individual level. This ties in with the representation of atomized learning and the use of data analytics in digital education in the company literature (see DiCerbo and Behrens (2014) Hill and Barber (2014) as examples) and the possibilities for mobile learning through personal devices as discussed in the educational technology business overview in section 3.5.

Finally in relation to the business, choices or decisions are said to be easier in a FTSE 100 business as compared to other kinds of organization. The choice is seen to be more straightforward because it relates to business decisions which in turn relate to the need to satisfy shareholders:



*when you work for a FTSE 100 business the aims and objectives are very very clear because they have to be explained to the shareholders who are only investing in it because they want to realize more value from their investment ... it has to make sense from a business point of view and that makes it easier to tell people you are working with look this is what we are doing and this is why we are doing it and we've gotta do it and also it helps I think make decisions (Thomas)*

Although the seemingly straightforward nature of decision making is commented on, there are also constraints created by the need for a FTSE 100 business to report financially 'quarter to quarter'

*it might it does make it too short term I think sometimes you have to think quarter to quarter sometimes because you think well why can't I it's the same I think it's the same with a lot of business have this problem where you know the FTSE 100 business is quarter to quarter.*

To sum up, choice is seen to require adequate information which in itself has become a global source of business for Pearson, not only with assisting students with choice but also through research and data production aimed at policy makers and governments as discussed in section 6.1. Choice can be difficult, overwhelming and wrong as well as economically empowering. Decisions are seen to be simpler in a PLC which has proscribed financial targets related directly to shareholder needs. Although this constrains decisions, it makes them easier to justify. Decisions were also seen to have the potential for an atomized conception of educational contexts as the 'learner' rather than as an institute or system. Finally, choice, like competition, is not immune to the effects of power where those who decide or choose may be remotely connected to what happens in the day to day realities of educational practice.

## **7.3 The Nature of the Firm**

In this next section I look at nature of Pearson as an organization, how its structure, characteristics and behaviour are talked about in the recordings.

### **7.3.1 Company Structure**

#### **PLC Structure**

It was clear that the structure of the company, that it is a publicly traded company, was seen by Thomas to be significant because of its obligation to shareholders:

*...people who run that business have to convince institutional shareholders that strategically they are doing the right thing for in terms of you know shareholder value so it has to make sense from a business point of view*

*...all these investors they're all looking at every single move and any shadow of its not working it's you know value can bleed out of the business*

The shareholders are described as 'institutional' which was explained by Thomas as: *So like big pension funds and big organizations buy large amounts of share investments. The importance of 'commercial interests' was also commented on by Stephen who described them as driving everything whatever anyone else says a lot of people would disagree with me but it does drive things.*

The obligation to shareholders is commented on as directly affecting the nature of the company in a number of ways. Firstly, it was commented on by Thomas in relation to current business strategy (the move to one global, digital strategy as discussed in section 5.2):

*What I am saying is for a FTSE 100 business in order to make a big change John Fallon (CEO) for example is leading this massive restructure of what has happened now..... to make the kind of investments that were needed to make to do the kind of improved systems that would be beneficial in 2 or 3 years it's really generally they get knocked back unless you can make a huge big strategic argument and then explain it really really carefully and really clearly to the world you know that's what you have to do with the FTSE 100 business*

*if you're gonna make a really long term strategic change in a publicly owned business like that then it's got to be done in a very big clear massive way from the top down its over 40,000 people work for that organization ...it's a massive business and so to turn that you need to do it very very clearly in a very very big way you can't do it incrementally*

*.. The proof of the pudding will be really in the value of the shares and how shares come in the next few years but yeh that's really what's been going on is trying to make that change but it's very difficult*

This means that whatever is stated as strategy has an existential necessity for the company and becomes what must happen. The reason for following the strategy of globalizing and digitizing is because it is believed this will make profits and therefore, digital has to become the means to produce those profits. The clear implication is that education also must be digital. A strategy focused on digital products is seen to lead to a service orientated style of business:

*the main priorities for Pearson Education LTD so Pearson UK were lead on standards to be digital first in the way we produce certain products and services and to create one Pearson so to be kind of integrated ....so it was about that shift I was talking about going from product to service the publishing business had produced products and they needed to shift to being a service so it's not just being digital first its thinking differently with your customers (Thomas)*

*..part of Pearson was making this shift from being a publisher – product - to being a publisher that produces a service so you know book versus digital service its different you know you sell a book you sell it once you come back a year later and you try and sell another one you sell digital subscription you've got to look after those customers on an ongoing basis (Thomas)*

Thus the move from product to service is seen to change the relationship with the customer. Sarah, for example, commented on the sales people in the team as having a relational role with the customers and was reluctant to call them sales people: *so they're basically I don't want to call them sales people they are sales people but it's more of a mentoring relationship.*

Another FTSE 100 effect commented on by Thomas was that it created a different culture within the organization. It was described as:

*very dynamic exciting you can every day you can look at the shareholder value and are we going up are we going down how are we doing you know. It was also seen as a place where ambitious individuals can do well: I think in a FTSE 100 I think people are often quite selfish and they think of their own career and their own and how much change can I make in my - in the opportunity I have to do it, will the benefits of this investment accrue to me?*

An example was given by Thomas of a crisis where: *although I had a really unpleasant time personally it was hard but you know in the way business sometimes works in Pearson it was good for my career because I handled a crisis for example that was good and I remember my boss before a few months before saying actually what you need is some scars on your back.*

Toby commented on the contrast between the culture of his organization and Pearson. The latter was seen as more 'modern' 'more commercially minded' whereas company B was seen as somewhat 'stuffy' and 'old school', 'elite'. This was seen by Toby to be changing somewhat as the need to make profits increases:

*We're expected to have a greater profit margin but it's still very small compared to our competitors who are probably required to make double digit profits whereas we are not so the business model is a bit different*

*It has changed definitely definitely because there are people that in the sales department that don't think they're sales people I mean they actually I don't think they're advisors, consultants and they don't think it's their job to sell they think it's their job to inform teachers of what's available so they are not very salesy at all so gradually the culture is changing a bit but still nothing like a corporate organization like Pearson for example*

*(Me) How would you compare it with Pearson?*

*I think culturally we are becoming more like that type of organization*

*(Me) What would that be?*

*Well a commercial organization a business that where sales people are rewarded for selling a thing and that's their single objective*

Unlike Sarah, who showed a preference not to relate Pearson to selling, Toby found the reluctance in his organization to do so a denial of the reality of their jobs. However, he still comments on the two organizations as remaining different and this was said to be related to the financial structure and to affect organizational behaviour:

*They own things like Financial Times which is obviously a business they need to make their profit targets are much higher than ours they're going to be much more ruthless in the way they behave*

*I think we'll always be different but um because after all if Pearson wasn't making money in the ELT division they would just shut it down or sell it (Toby)*

The need to create profit is seen to change strategy and in turn this changes products and ways of doing business which in turn changes what happens in education. For example, Toby explained how the change to a more commercial organization changed the ways things are being done. Strategies have been introduced specifically to enable higher profits and are very much an echo of Pearson's approach: top down, simultaneously generic and customizable, digital, global and focused on specific markets defined as countries or regions. Also management has become more directive and the product has to have economies of scope in order to build profit:

*Yeh we do a lot of customized publishing I mean one of the strategies for because I think we realized we needed to be more focused to be more profitable ..... separate teams that have worked on them pretty much been able to come up with an idea take it for approval by the standards system and then publish the book so no sort of top down*

*strategy for publishing now there's absolutely a top down strategy for publishing a global strategy so in other words the top management are saying we have to identify what type of materials we want to develop on a global level we need to decide which are the most important markets for us globally (Toby)*

*if we are going to be more profitable we have to develop materials that can be used in at least one of these major and then can be repurposed for other places.... we need to have more generic materials that can be used and be the building blocks (Toby)*

### **Spending Money and Saving Money**

Money as profit is seen in the above discussion to be key to the existence of a PLC. In this section I will examine how money is characterized in the recordings.

Firstly, I looked at what is seen to be the source of money. In Pearson's business strategy, governments and middle classes are seen to be major sources of money: *Governments spend trillions of dollars per year on education and training; and, each year, the still rapidly growing middle class invests more of its own increasing wealth in the education of themselves and their children* (Pearson, 2013, p. 9). This was echoed in the recordings by Thomas: *what do people want we all want our kids to have a better chance than us so we all people are prepared to spend on education is private individuals*. Money is seen to be coming from different countries or regions (this relates to the discussion on markets): *if you look globally middle classes growing you know in big economies in the world big growing countries like Brazil South Africa and India and China*.

The other major source of money is government, either directly or via customers, such as students or institutions:

*It's a good business and in uncertain times governments continue to spend money on education even this government although it's restricting it a bit (Thomas)*

*Bug Club (Pearson product) so that was quite interesting because it was match funded training so schools could buy the training and half the cost of the training would be paid for by the department of education (Thomas)*

*...the students who are paying for it with their loans the money is actually coming from government so you'd think there needs to be some sort of control on funding (Matthew)*  
*St Patrick's London Business School of Finance they increased their numbers by ...its actually millions 20 odd million that they've cost the government now it might be ethically that they are training people on a grand scale what's wrong with that but at the end of the day the government has to foot the bill (Stephen)*

This indicates that whatever government does in terms of education spending is significant for the business and there would therefore be little commercial interest in limiting government budgets as long as its spending wasn't considered risky. Thus, with the example of student loans above, some concern was expressed as to how unlimited numbers would be financed. The inability of the government to pay could put the system and therefore, the source of funding, at risk.

In the project recordings, however, there was little evidence of financial prudence. The project was located in one of the emerging markets targeted by both business and UK government policy discussed in section 6.1. Both Neil and Gary made a number of references to the cost of the project. It was described in the following ways:

*...we were paying a lot of money for was ludicrous*

*...paying a fortune to people like but it looks good*

*..Extortionate cost*

*..They were in it for a pile of money if it worked*

*80 Million sounds ridiculous I don't know I've got that in my head it was a lot of money it was a lot of money*

The money being spent in the project was also government money and was said not to be usefully deployed: *this was an albatross round our neck and a very expensive one the amount of money we spent on that we could have spent a lot better on other areas* (Neil). However it seems that perhaps because of the nature of the country and its economy or because of elite relationships as mentioned previously, this project was seen as a rich source of income for Pearson: *they still think we've got money to burn and we did with this contract* (Neil). There was no sense of this project being financially prudent or efficient. One of the effects of the large sums of money involved in the Pearson project was seen by Neil and Gary to be an imperative for the Pearson employees to make it work. Money was seen to affect the nature of relationships and ways of working:

*So I reckon that the person who did all the contracts from their side said right this is a fortune you devils make it work. I mean I was told by one of the ladies if this doesn't work she'll lose her job.....there was definitely intimation there that I would lose mine as well it was definitely a both of us have got to make sure this works don't we* (Neil)  
*They kept bringing people in from America I mean why is the big... marketing boss at meetings when she doesn't open her mouth they're thinking my God we got to make this you know they're looking more at how their side are dealing with it* (Neil)  
*Nadia (Pearson employee) was very diplomatic and she was very good but she was under tremendous pressure to meet deadlines* (Gary)

When it comes to saving money, this was evidenced as internal to the company and relates to the structure of the company as a PLC:

*We've set up a very cheap quality assurance model..... because it's cheaper remember we are a financial company and if you say to someone your bonus depends on certain financial savings then they get on and do that and I would argue we've gone too far in our quality assurance er paring down I am at the point where I'd argue that to people's faces now and actually you can quote me on that but we have we have done that we have done it ...we have gone much much too far (Stephen)*

*so many times in the last 15 years I've been involved in carrying out those decisions that mean instead of investing longer term which would be better to get a system that would be more automated we'll get in more cheap temps who can fly off spreadsheets and emails so productivity so you have more people employed but their productivity is lower and the reason you know occasionally I've made what I thought were quite good business decisions to get you know more better systems to do something and it very often gets knocked back because that's going to cost you know over a million pounds say for example in this quarter the next 3 quarters and when am I going to see the return on that maybe 2 3 4 years' time well if you're a shareholder that's not interesting you want to know it has to be really convincing to make that kind of long term investment (Thomas)*

## **Size**

Next I will look at size as it relates to the nature of the organization. I noted in previous sections the importance of scale relating to markets and products. In the recordings the word 'massive' was noticeable. BTEC and ELT and indeed the whole company were described in this way in relation to size:

*Pearson products like BTEC which is a massive Pearson product really important for Pearson (Thomas)*

*English ELT English Language Teaching is massive I mean we teach I don't know 3 million students I mean its massive (Sarah)*

*It's a massive business and so to turn that you need to do it very very clearly in a very very big way you can't do it incrementally (Thomas)*

To Toby, Pearson's size was seen to be an advantage: *you know there are some markets where we can beat them but I think our because of their scale because of the scale of both Pearson and Oxford have more people on the ground we really will struggle to beat them.*

However, it was not automatically the case that being very large was a positive thing in all areas. With Pearson College for example, Stephen commented: *I don't see the college as ever being massive I mean you know they might have other plans it might become massive but at the moment I don't see us becoming massive*. This might relate to the need to keep the 'club' small, as mentioned previously, in order to ensure high quality or status and perhaps to leverage quality in that area of business to other areas. Qualifications were also seen by Sarah as relatively small globally: *qualifications is tiny tiny I don't want to say we're nothing but we are so tiny in the grand scheme of Pearson Pearson North America is worth billions*. However, they were seen to have a positive spill over effect into other areas of business such as text books and other learning resources, as discussed by Thomas in the section on competition.

Finally, disadvantages to being large, in the sense of being a 'monolith' were evidenced in the project recordings, mainly as a barrier to efficiency and in relation to the organisation of employees:

*our guys here could do that in five minutes our techies could do that in 5 minutes for some reason well Pearson's just this monolith the people I was dealing with in my year and a half with them you know three different bosses and when we would meet them at these monthly meetings well we never ever had just the same people round the table* (Neil)

*I don't want to work with them and it's not because of the people involved it was just too much of a monolith structure for us to get our head round* (Neil)

*one of the problems we had with Pearson I think is Pearson are so big the turnaround time from suggesting something and they were working on it they'd tell us we've got a team of 10 working on it well fine but what are you doing when can we see where's the time line* (Neil)

*I know it doesn't make any sense at all and yet they were palming off these Real Reading pdfs to us that was the level they were at you know I don't understand it it's one of the biggest companies in the world* (Gary)

*It's incredible that they are such a big organization and yet they missed out so badly on this market* (Gary)

To sum up, the financial structure of Pearson as a profit seeking PLC with shareholders is seen to impact its behaviour and is fundamental to understanding the organization. The market constrains a publicly traded company, limiting what it can do. Strategy has to be very clearly articulated and then followed through in order to convince shareholders. It is



therefore heavily 'top down' and centrally controlled. Although freedom and decentralized modes of social organization are favoured by liberal economies, within a large business there can be an organizational structure that favours central planning. The size of the company is also seen to have both negative and positive effects as it can both enable effective competition but also seems to have had the effect of reducing efficiency. It was interesting to note that the term 'monolith' was used to describe Pearson, which is the same term used as the critique of the BBC in the digital curriculum policy documents in section 6.2. Products that don't make profits will have to be dealt with through 'ruthless' decisions. In the case of Pearson a digital first strategy has been employed which means this becomes an imperative. Digitization changes the business to one of ongoing service based provision which changes the nature of the relationship with the customer. Finally, spending and saving money are seen to be contingent and to depend on whose money is being spent.

### **7.3.2 The Environment**

As mentioned in the literature in institutional theory, the environment is seen as key to an organization's survival and therefore controlling it as much as is possible would be beneficial. In the recordings, the environment in which Pearson and company B operate is commented on as favouring commercial enterprise. For example, the environment was described by Toby as having changed: *reinvestment resulted from becoming more profitable and that's how we're now in a more commercial environment really we're expected to have a greater profit margin*. As an example of this commercial environment, universities were mentioned by Stephen with the following comment: *every university worth its salt is a very commercial company*. Aside from this, comments on the environment related mainly to government and regulation.

### **Government**

There were comments that indicated the effects of government as being significant. Firstly it is a constraint being seen as intrusive: it rules, restricts and controls:

*I was sort of looking through some documents in terms of student number control the government has been controlling the numbers (Matthew)*  
*if the BTECs are gonna be or city and guilds are going to be included in that measure they have to meet government requirements (Matthew)*  
*We're pretty much ruled by government (Matthew)*

At the same time, it is seen to have promoted growth in education, during the Blair government :*under the Labour government there was a big move to get more people getting degrees that's the currency is degrees rather than anything smaller but whether that's going to change (Matthew)*

Government also causes change or disrupts '*the landscape*' by scrapping or making sudden shifts in policy. A stable environment without sudden exogenous shocks is preferable in business. However, change of government was seen to have ended a '*predictable*' run where education was growing and this shook things up:

*government initiatives which then try to change the landscape (Matthew)*

*Well they're so political I see that when I was at QCA ..we had a huge program developing diplomas for which were the vocational qualifications and they were just coming in when they had the election and the conservatives got in and they just scrapped them (Matthew)*

*Colleges were geared up to deliver this new qualification and then suddenly the government came in and changed things and so they had to stop delivering them and so yeh it is quite intrusive into that er it does lead to major changes (Matthew)*

*Up until the change of government in 2010 it was kind of predictable you know every summer grades would be better and you knew how the argument was gonna go .. but things really changed with Michael Gove really really changed and he wanted to shake the system up with a very particular agenda that he had (Thomas)*

## **Regulation**

The role of government is sometimes seen as inextricable from the concept of regulation which provides the framework within which education should operate. Regulation was mentioned frequently by the Pearson employees. Firstly, as having a coercive element:

*So we were pushed down this route and I would argue by the government although of course they'll deny it ....and the regulator only does what they are told by the government and we've been pushed onto various frameworks (Stephen)*

*We were pushed down a route by the regulator which I would argue is a kind of very low quality route they pushed us towards having much more of a tick box (Stephen)*

*With colleges we became a bit unhinged because our new master became the regulator (Stephen)*

Regulation is also seen as restrictive when connected to league tables, tariffs, quality assurance, frameworks, measurement, 'tick box' mechanisms. Pearson was said to be jumping through hoops and subject to limits and restrictions:

*the QCF has not just qualifications accredited to it but individual units ... it gives more flexibility but it's not been a resounding success but what it has done is put limits and restrictions on the way we've developed qualifications (Matthew)*

*It's set up quite strict requirements for vocational qualifications both 14 -16 and 16-19 so our BTEC firsts have to have a certain % of external assessment now which they didn't previously (Matthew)*

*We've got to go through those hoops in order that our qualifications will be included in the league tables for the schools and colleges (Matthew)*

*it also happens to be good for performance tables which means everything you know so for Pearson it was a very useful thing but they were very worried about it (referring to perceptions of grade inflation) because of the standards agenda at that point so they knew even before the change of government people within Pearson were saying this isn't you know we are worried in a sense that this can't carry on forever (Thomas)*

Regulation does not only emanate from government but can also come from the organization itself. One way to exert control over the environment, rather than be controlled by it, is to take on the role of doing the regulation and this was evident in a comment by Stephen: *we're gonna take on that job of making sure that private colleges do things properly so we're gonna put in place a new kind of review process all that kind of stuff*. Thus, Pearson could take on the task of regulating the private sector so that it is protected from accusations of shady behaviour. The role of company as regulator was evident in comments relating to international activity. Firstly, the 'strict' (Sarah) nature of what the UK government allows within the UK means that non-regulated qualifications are also used internationally and this area of business is seen to be growing. Where this happens, Pearson regulates its own qualifications internationally and Sarah made comments related to this:

*We will regulate that it means that the qualification that they are doing isn't actually hasn't been accredited by the UK regulator but it will be something that we approve for them to do so we sort of do the regulation of it but what it means is that the qualification is more appropriate for their own needs*  
*most of our qualifications are regulated by the UK government the ones that we sell internationally but the non-regulated are growing because the mandates you know the strict policies coming into the UK to what can happen here in the UK is its strict what we can do internationally*

Other comments, related to being outside 'strict' government regulation, referred to universities which were seen as being autonomous but also as being potentially subject to controlling government measures

*Degrees are outside their jurisdiction so the universities have an autonomy there as to what they deliver in terms of degrees (Matthew)*

*The university courses are outside the jurisdiction of government (Matthew)*

*We moved away from a kind of more university based approach where you have peer to peer review where you'd have people making qualitative decisions about the status of the submissions from a students' perspective so we were pushed down this route and I would argue by the government (Stephen)*

*What the government wants to do it wants to have its cake and it eat it wants to have the vice of the accountability measures which they are now extending to FE and eventually they will extend to university (Stephen)*

*... The thinking is very important to give universities a block grant is to give them carte blanche to do what they want but if you give it through student loans then you're relying on students making choices and you're relying on those choices (Stephen)*

### **Parliament and the Press**

Aside from the environmental controls of government and regulation, there was one particular comment on the effect of the press and parliament. As mentioned previously, there was an incident involving an undercover journalist exposing possibly inappropriate behaviour at Edexcel. The effects of this were seen to be very significant for Pearson: *it came out in December in the news it was very very big for me in our world it was very very big (Thomas)*. The environmental effect here is seen to come not from government or regulation but from free press and also from parliament: *we've got a free press don't like that journalist personally but she was doing her job very well we've got strong parliament so this undercover journalist did her stuff revealed what was actually going on parliament with the education select committee gave everybody a very hard time*. In this particular case, it seems that inappropriate behaviour was 'regulated' by the press, parliament and fear of reputational damage. This points to the importance of democratic processes which appear to have been more effective than accountability via regulation in this case.

To sum up, the environment in which Pearson is seen to operate is said to be restricted by government and regulation within the UK but to a lesser extent internationally where Pearson is freer to self-regulate. At the same time, regulation provides the benefits of

protecting and enhancing reputation. One way to manage restrictions is to become the regulator which is suggested as something Pearson is interested in. Reputational damage also acts to regulate behaviour.

### 7.3.3 The Human Factor

In this section, I discuss aspects of the recordings that pertain to human behaviour effects in the organization, namely relationships, networks and capacity. They are aspects not accounted for in theory and policy making but are significant in terms of practices.

#### Relationships/networks

There is an environmental effect from networks and connections with people and organizations as these are ways to know more about and assert influence over the environment. Liaising is an opportunity for influencing and data gathering. There were a number of comments from the Pearson employees that related to liaising or connecting with various people and organizations. The prevalence is most likely due to the nature of the employees' positions. The comments below relate to industry, higher education entities and Sir Michael Barber, the politically connected 'key player', employed by Pearson.

*We work across my colleague works mainly with employers and we work together towards professional bodies so its again finding out what they think (Matthew)*

*I was at a seminar the other day with the scientific industries (Matthew)*

*We had expertise from commercial companies and we had expertize like BT CISCO we used contacts within the company you know who are working with us (Stephen)*

*Why not just go directly into industry and work alongside getting a degree that seems to be a growing which makes complete sense which is why we want to grow our engagement with employers (Sarah)*

*We've talked to a lot of universities about what do you look for you're making your offers and some will say and Cambridge University in particular says ... (Stephen)*

*We have contacts at the higher education funding council HEFC (Stephen)*

*I mean you take somebody like Michael Barber he's one of the most powerful brains in Pearson an advisor to Tony Blair (Thomas)*

The importance of making connections was seen to be global and conceptualized by Sarah as involving *a lot of educating, a lot of discussions:*

*..I make sure that universities employers professional bodies ministries of education all around the world will recognize our qualification so that is mainly educating them on*

*what our qualifications look like helping them embed them in the local framework if it's a ministry (Sarah)*

*He (a manager) travels a lot his is mainly networking presenting ...He's presenting to the top CEO's in the companies in Hong Kong to really educate them about qualifications and what's going on (Sarah)*

*It's a new team we're starting out with HE...Maintain all the relationships with our HEs around the world (Sarah)*

*They look at trends and trends in international education student mobility all that sort of stuff so Pearson did a study with CBI (Sarah)*

The importance of connections and relationships was also evident in the project recordings. Gary commented on the role of elites:

*People came in from London (head of institution A) stopped by to sort of wish us well and talk about how last time he was in London he was talking to some lady very high up in Pearson and how the A/ Pearson relationship was very close...*

*Actually it was he said Sheikh.... last time he was in London he dropped in to see this woman whatever... it seemed to us that there was this relationship at the top that kept this contract going*

*Name drop this name of this lady top lady in Pearson in London that he has some personal relationship with ... yeh it struck us that it was as this was unfolding it struck us that this is just high level relationships pushing this*

There were also indications of a service relationship, discussed previously as a development in Pearson's business strategy. For example, there were comments that highlighted the tensions between employees from institution A and Pearson resulting from 'working with' or 'being in a relationship with'. These comments are connected to emotions and behaviours that one might experience in any relationship, such as arguments, unhappiness, 'had enough', anger (in a meeting the ending of the contract with Pearson was described as a divorce):

*They (deadlines) were not being met because disagreements started quite early on about how many revisions were needed for our material (Gary)*

*There'd be four or five of us in different cities and Skype you know it was just a joke in the end I mean everyone was talking over each other on Skype (Gary)*

*Nadia (Pearson employee on project) had spent quite a long time building up a relationship a working relationship with this one Bob (Pearson employee on project) then Bob was taken out of the equation.....it was an effort to build up another working relationship with someone so yeh she wasn't happy and we weren't happy (Gary)*

*I think Pearson probably had enough of dealing with institute A teachers (Gary)*

*They still want to be in bed with us in some way like the words the lady said ...we don't want to finish on a sour note because believe me we will need each other again in the future (Neil)*

*I got the feedback copious amounts of feedback which I presented physically to their big, big boss who was not happy at all with this feedback he didn't like this he was even angrier with this than he had been with the survey (Neil)*

*They kept saying to us help us help us make it better .....They wanted to please us (Neil)*

## **Capacity**

By capacity here I mean the efficiency of the company in carrying out work. Most of the comments on this arose from the Project recordings. Pearson has put in place a business strategy strongly based around digital products which is seen to tie in with a service based business strategy. However, it seems from the project recordings that there was said to be a lack of expertise in this area. In the project recordings there were frequent references to Pearson's inability to produce what was required due to lack of technical expertise. The comments seem to indicate that Pearson employees working on the project were somewhat out of their depth and at the same time unable to open up about this

*The creation of something like this to compete with you know Q Skills they simply did not have the expertise to do it (Gary)*

*There was no way they could produce anything like that you know so they were at the an analogy is they were at the hot potato end of things when we needed something at the Candy Crush end of things (Gary)*

*For some reason I don't know if they were scared of agreeing to one thing and then it would open the flood gates for our requests or something I don't know what they were afraid of because you know that's a fairly minimal request and it shows their inexperience of what teachers require (Gary)*

*They were trying to hide this for as long as possible and trying to rein us in rein our expectations in to what they could actually produce themselves what they were capable of (Gary)*

Secondly there was seen to be inefficiency in the way the contract was thought through and implemented. The notion of the contract was represented as particularly important by Neil, who was more closely involved at senior level. It was signed for 5 years but it seems the work was finished by around the second year. Niskanen's (1968) ideas of bureaucratic administrations seeking to extend their budgets, as discussed in the literature, is echoed here. Pearson sought ways to extend the work, the implication being because of the value of the contract.

*..we thought we were just stuck with it for 5 years ... thinking goodness what are we going to do with them you know because the work's been done in the first year or so (Neil)*

*We'll be able to have finished that by year 3 what do you mean by year 3 oh well we will have been able to do everything for you by year 3 well that's not what we expected we expected at the end of year 2 max (Neil)*

*They were making it up as they went along....Oh without any doubt you know they were given this contract and they thought my god what have we got (Neil)*

*..because how can we keep spinning this out they know like when can I meet all your engineers can I speak at your conference you know can I speak at your PD days finally you have to tell them no because there's no interest (Neil)*

The contract is a business mechanism that strongly influenced events, firstly by binding the institute to Pearson and subsequently because of an escape clause as a means to end the relationship with Pearson (to divorce): *the guy I deal with now the lawyer he's just brilliant when I gave him the contract how can we get out of this an hour later it's there on page 62 (Neil)*. However, it also led to complications over ownership of material, meaning teachers were not able to access it due to legal proceedings: *We think we own it they (Pearson) said no from the day that the contract is finished after that 60 days you're not to touch our materials (Neil)*. Finally the contract was also linked to the elites mentioned earlier so carried a heavier weight than purely legal formality due to the names on it: *I think they thought we wouldn't have the balls to get out of it and that we would just play along because somebody big had signed a contract (Neil)*.

To summarize: connections with other entities in industry and education are evident and provide two way information traffic as 'finding out' and 'educating'. Connections with elites as a way of doing business was also evidenced in the project. The service nature of the



business means that human relations become particularly important and these were seen to involve tensions within the project. Finally, it was not evident that the business was necessarily efficient. Firstly, because human capacity (expertise) was seen to be lacking and seemingly affected to some degree by power and secondly, due to lack of effectiveness in how a contract was implemented.

## 8 Discussion and Reflections

In this section I refer back to my research questions to consider whether I have answered them and draw together aspects of the analysis as they relate to theory and their implications for education. As a reminder my questions were:

1. In relation to Pearson's three core business strategies of globalization, digitization and higher education:
  - What connections are evidenced between Pearson and government policy?
  - How are the social policy principles of market, competition and choice characterized in policy and practices?
2. How is the role of company structure and behaviour characterized in practice?

With reference to the first question, I found connections to policy in all areas that I looked at, evidenced in a variety of sources. I therefore conclude that Pearson do have a significant and wide ranging involvement in policy. This does not imply a direct cause-effect relationship in terms of policy outcomes, only that there is a correlation. Policy recommendations cannot necessarily be proved to be taken up directly, although it may be that ideas are taken up over time and in adapted forms. To elucidate this would require more in depth research on specific policies. However, this research does show that practices related to policy engagement are a feature of the organization and that it can only be in the interests of the company to influence policy.

The second question refers to theories advocating markets, competition and choice in social policy. In response to this question, I found that these concepts presented as complex and multi-faceted. A more nuanced view of these principles would be more realistic but something that policy is perhaps not best suited to managing. I found markets, competition and choice all to be contingent, flexible concepts rather than universal principles. They were all subject to manipulation and adaptation according to what was beneficial to the company.

Looking first at markets, this term for businesses means opportunities to sell (rather than a place to exchange) so in theory need to grow. However, in education markets, this growth is subject to particular limits and conditions. Too much growth is perceived to damage quality whilst at the same time being required to produce income. This tension can be resolved by targeting emerging markets, which are seen to have growth potential whilst continuing to exert control over UK provision. Another important aspect of markets is the need to create products (to commodify). Holistic systems such as education institutions make it difficult to separate out elements of the value chain. Component parts of holistic

systems can be identified in order to create value. Fragmenting or unbundling university systems is an example of this. The suggestion, supported by a Pearson backed report, for universities to adopt standardized external assessment for 'canonical knowledge' delivered through an exam board model, would provide commodification opportunities. This could be introduced under the guise of fairness (standards are fair) and efficiency. A move towards standardization of knowledge and assessment has implications for the nature of knowledge within a higher education context. Is knowledge to become a standard pre-packaged product?

The move to free up student number controls and degree awarding powers is also an example of creating value but is seen to be potentially risky. A larger number of students allowed in universities and externally awarded degrees could lead to a differentiated market with a range in the pricing system for courses. Differentiation would allow Pearson to position itself where it sees most value, but could lead to reputational damage through association with 'bar lowering'. Degree awarding powers could also provide Pearson with opportunities to sell its own degrees, for example to overseas institutions. These changes might provide Pearson with opportunities to act as a regulator to a commercial higher education market. The extension and unbundling of higher education suggested in Barber et al. (2013) and the degree awarding documentation infer maintaining heritage and traditional elites which would act as leverage to the UK brand in the global education market. Thus, there is an interest in maintaining elites, which co-exists with a utilitarian view of education for the masses.

I found that competition is not a straight forward concept, although in policy it can be presented in rather simplistic terms as a driver of quality and a means to improve efficiency, reduce costs and satisfy consumers. This can be interpreted as an ideological response to problems arising from lack of competition but it is not necessarily the case that opposite actions cause opposite effects. Competition can lead to undesirable outcomes or unintended consequences, (for example when exam boards such as Edexcel appear to be making exams easier in order to gain market share). It seems that commercial entities may not naturally embrace competition but seek to avoid it through merger, acquisition, collaboration or using contacts and networks. One logical outcome of competition is a tendency to monopoly and it is regulation (control) that prevents this from happening, although this places restrictions on business. Regulation was said to be restrictive by Pearson employees but at the same time desirable as a guarantor of quality. The optimum situation for Pearson may be to become a regulator and as 'a trusted body' it is well

placed for this. Pearson has used competition as a discursive device that can be manipulated, contingent on circumstances. Thus, at times competition is seen to be unfair and government funding is framed as a subsidy. At other times, government funding is welcomed and being a 'sole provider' of a service is seen as a positive endorsement of the company. The synergy between textbook publishing and exam provision and partnering with hi tech giants like Apple are examples where collaboration may be preferred to competition. Inappropriate behaviour in competition is managed through assessing risk which implies focusing on the probability of reputational damage, not whether what has happened is wrong: *when it comes to speaking truth or prescribing justice numbers are meaningless. They only make a difference if justice and truth are thought of in terms of the probability of success* (Lyotard, 1984, p. 52)

Competition is also framed differently when it comes to promoting state international education export policy. Collaboration, rather than competition, provides more leverage for UK organizations in international markets. Education organizations are encouraged to seek out *high value opportunities... large scale complex commercial education and training opportunities* (Department for Business Innovation and Skills, 2013b, p. 12) in emerging markets. This targeting of emerging markets could be interpreted as mercantile rather than neoliberal (Gee, 2009) in the sense that the UK government, public institutions and commercial entities are collaborating (or colluding) to act upon and in the educational systems of other countries, extracting financial reward from the undeveloped 'raw material' of human capital. An example is work on national qualification frameworks which Pearson help create and which also include their own products.

The use of competition as a policy mechanism, when carried via a large profit seeking entity is not necessarily efficient in the way that theory suggests: organizational behaviour is not always rational or efficient. The picture that has emerged is complex, in part because of the extent and range of activities but also due to the multi-faceted aspects to behaviour with regard to education and social policy principles. These principles are not universal but contingent and operate as discursive devices to justify practice

The principle of choice encourages the production of data without which policy based on choice (in markets) is problematic. Dealing in knowledge as 'big data' accessed via digitization, and as research production, may provide Pearson with power to shape education further and with further opportunities for commodification of education: data was described as the 'new oil' by a Pearson representative. The production and sale of digital products facilitates this data production which becomes a mutually reinforcing cycle: data

is seen to be necessary and therefore digital products are necessary. Gathering data provides commercial opportunities at multiple levels from atomized analytic feedback to macro country comparisons. This is already evidenced in products like the course finder website, PISA, national qualification frameworks and digital platforms that produce analytics. However, I also found that the business interests may actually limit choice: for example, Pearson is likely only to offer courses which the market 'allows', this is based on what makes a profit and what can be offered at scale. Choice can also be manipulated (through what has been called nudge theory) the aim being to manufacture new social 'norms', perceptions and expectations (Lloyd, 2013) through influencing policy and practice. It requires managing, for example in reframing students' attitude to debt. I found choice, like competition, to be a discursive device which is contingent upon commercial interests.

The third question refers to the nature of the firm and relates to the second question, as theory suggests that commercial entities are more efficient in comparison to centrally controlled public services in that they provide consumer wants at reduced costs. My research suggests that this is not *necessarily* the case. Motivation to cut costs presented as internal to the company, for example in reducing the cost of quality control. There was no evidence of motivation to save government money in the project. Within the UK, it seemed there was concern to ensure equal access to government spending rather than reduce it. I found that Pearson was not efficient with regard to costs in the project which was expensive. This cost inefficiency wasted government money and was an attempt to maximize profits at the expense of the customer. This may have been due to perceptions of there being 'money to burn' or due to effects of powerful elites. It may also be that because it was in an emerging market, this was not a reputational risk for the company as might have been the case in the UK. This could be interpreted as indicating a mercantile attitude to overseas markets. Another inefficiency was seen to come from Pearson's large size. Large companies may be seen as necessary for large scale projects but may act inefficiently because of their size. In some ways, Pearson can be said to act like centrally controlled government agencies with top down strategies and management. Pearson's recent adoption of an efficacy strategy is an attempt to ensure consistent delivery of outcomes but is a centrally controlled mechanism, rather than self-organizing and non-coercive, as liberal theories might propose.

In terms of efficiency and capacity, in the project employees appeared to lack the knowledge and experience to carry out the work. It may be that inexperienced employees are cheaper to hire, or that the expertise was not available locally, or that it was not thought necessary to deploy people with a very high level of expertise for this particular project. The reasons were not stated. Promoting capacity is a feature of Pearson's company literature (Barber. & Rizvi., 2013). A discourse analysis (not included in this enquiry) showed that customer capacity is particularly referenced in relation to the use of digital products, where Pearson's role is to improve customers' ability to use their products. However, it can be seen that there are gaps in company, as well as customer, capacity.

The use of digital products is seen to necessitate a service model as a way of doing business and requires a relational approach. An ongoing interaction between business and education offers the prospect of long term contracts which is clearly appealing for business. The 5 year contract signed in the project was envisaged as such. This also relates to Pearson's efficacy approach which envisages a *continuous dialogue with customers about teaching, learning and education systems* (Barber. & Rizvi., 2013, p. 22). However, relationships are subject to the human factor, a complex variable. In the project, tensions between various stakeholders were evident with different priorities and perspectives clashing. There is no logical reason to suppose that human behaviour is necessarily either more or less rational or efficient in companies than elsewhere in society.

It was evident that power plays an important role in practice but is not something accounted for in policy concepts. For example freedom in economic affairs proposes 'freedom from' or negative freedom from constraints but this does not necessarily lead to positive 'freedom to' or the ability to act. Power manifested in a number of ways. I found evidence of power effects internal to the organizations involved in the project, with employees under pressure or unable to voice opinions, leading to inefficiency. Power was also manifested by the actions of elites. Constraints were also evident through regulation and reputational effects. Another form of power relates to access to knowledge where contracts, commercial interest, ownership rights or fear of power lead to lack of transparency and knowledge sharing. This was evidenced in the contractual restriction on interviews for the academic I had hoped to speak with. Another example comes from the project, where it was not clear who owned the product, resulting in legal procedures and teachers not being allowed access to materials. This complicates representations of the knowledge economy and big data as an open access era.

I found the structure of the company to be highly significant. The fact that Pearson is a public limited company means that reporting to shareholders quarterly is of overwhelming importance. This is what influences Pearson's motivations and means that decisions relating to education services are based on profit seeking. Thus, paradoxically, it was evident in my research that the structure as a profit seeking entity becomes a restriction, limiting action rather than freeing it. Even though large corporations are seen to wield power they are not outside it; in Foucault's conceptualization, power is 'always already there', that one is never 'outside' it (Foucault, 1980).

## 9 Conclusion

To conclude, I will draw together the more theoretical aspects to my enquiry in relation to the role of Pearson and the role of markets, competition and choice. This enquiry has investigated practices and behaviour in an education service business in higher education in relation to social policy principles. These are evidenced in practices in what is sold (products), in policy and in practices as talked about by subjects. I have been informed in my approach to this by Foucault's conception of social phenomena as evidenced in the surface of what is said (rather than what is perceived or understood) and how that occurs in multiple points of dispersion (Foucault, 2002).

With regard to theorizing, the enquiry does not seek to privilege policy, as enacted by Pearson, as a separate activity but rather views it as another business practice (although a very important one) that Pearson pursues to its advantage. This enquiry does not therefore articulate a theory of the state with regard to Pearson, rather it seeks to provide a view of Pearson using theories that position it for what it is: a public limited company. However, later in this conclusion I shall point in the direction of further research which suggests we should see Pearson as part of the strategies of a mercantilist state; albeit one where a company like Pearson's drives policy because it has been outsourced by the state. It is clear from my research that company structure (accountability to shareholders and a requirement for profit) is the key force behind its activities. I argue that theories that consider the nature of the firm and organization such as internalization and institutional theories (Forsgren, 2013; Truitt, 2006), may therefore be best placed to account for its behaviour. We can position Pearson's role in policy as part of a new way of practising governance of education in an intricate relationship with the state, and also consider Pearson's activities as they affect education. However, in so doing, we should keep in mind that these activities can be explained as purely business strategies, rather than what might be called a new form of corporate social responsibility or social capitalism. To consider them otherwise risks legitimizing Pearson's position within education.

This enquiry has also examined social policy principles of markets, competition and choice. These are seen in the literature to be part of a neoliberal framework for explaining social activity. However, this enquiry does not seek to proceed from neoliberalism as an axiomatic explanation for behaviour (which is why the three aspects of markets, competition and choice are considered separately in the research). Neoliberal *theories* assume diversity, and differentiation within the context of multiple firms in the market. In



contrast, theories of the firm imply a tendency towards monopoly consolidation as firms seek to grow, mitigate the market and eliminate competition. As neoliberal policies advocate private actors (usually firms) as both models of behaviour for public institutions and as carriers of competition in the market, we can see there is an inherent tension. Firms do not conform to this neo-liberal image as they seek to consolidate as monopolies or oligopolies. Policy conflates the economic and commercial in seeking to require entities that might prefer to avoid the market and monopolize, to enact policy that leads to the opposite. The only way to manage this paradox is through a constant refinement and proliferation of regulation. With regard to Pearson, the paradox manifests in their business practices as a manipulation of neoliberal themes according to what suits their business interest. Thus we see, for example, that regulation is both desirable and problematic for Pearson and can be used both to widen their market and reduce the competition.

Public Choice theory in favouring competition and contractual or exchange agreements as a generic template for public institutions has paved the way for private actors to enter new areas of public life. However when these private actors are large companies with considerable resources, political agility and ability to side step competition the relationship to the state could be framed as mercantile rather than neoliberal. If a company seeks to align its own and the state's interests and exclude others, in my view this cannot be seen as neoliberal. Aspects of Pearson's behaviour could be better explained as mercantile. If we consider 'mercantile' as state and commerce acting together for mutual (financial) benefit through exports, then the UK education export industry can be regarded in that light. If we also consider that Adam Smith saw dealers seeking to narrow the competition and widen the market as an aspect of mercantilism (Smith, 1776, p. 213), then Pearson's behaviour with regard to Degree Awarding Powers and Student Number Controls could also be considered as such. This is an emerging finding from the enquiry and the claim would require further elaboration.

Neoliberal *theories* propose a reduced role for the state and the active construction of market competition. Neoliberal *practices* that have emerged from these theories such as the notion of the responsible competing individual or institution, operate at various levels in education. However, if research shows something different is happening with large companies then it may be that this case requires a different explanatory framework.

## 10 Appendices

### 1. Mergers, Acquisitions and Partnerships Connected to Education Technology

Date	Activity	Where
2000	Acquired National Computer Systems (NCS), educational testing and data management company \$2.4billion	US
2007	Acquired eCollege \$477m	US
2009	Acquired National Transcript Center (NTC)	US
	Nokia, formation of a joint venture, Beijing Mobiledu Technologies, to accelerate the growth of Mobiledu, the premier mobile phone-delivered education service, developed by Nokia in China R\$888m (US\$497m; £326m) or R\$22 per unit	China
	Partnership - a minority stake in Tabula Digita, a pioneer in educational gaming technology, as part of \$4.7 million Tabula Digita financing led by Intel Capital. This represents the third round or Series C funding for Tabula Digita.	US
	The Administrative Assistants Ltd. (AAL), a provider of student information systems in the worldwide K-12 school market. Based in Burlington, Ontario, AAL provides the Web-based system known as eSIS® which has been implemented in locations ranging from North Carolina in the U.S. to Abu Dhabi in the Gulf, and AAL's products will provide increased international market opportunities	Canada
2011	Schoolnet \$230m	US
	The American Council on Education (ACE) partnership to develop a new GED Test aligned with Common Core State Standards that will assure colleges, universities and prospective employers that adults who have passed the GED Tests are prepared to compete and succeed in a global economy.	US
	Connections Education \$400m	US
	Global Education and Technology Group \$155m	China
	Partnership with Knewton - adaptive learning technology provider Founders Fund and Pearson \$33m	US

2012	EmbanetCompass \$650m	US
	Joint venture with INITE plans to launch UTEL, a new online university for Mexicans to enrol in higher education programmes, and Scala to enable traditional Universities to enter into the online world.	Mexico
	Certiport prepares individuals with current and relevant digital skills and credentials for the competitive global workforce \$140m.	US
	Global English Corporation, provider of cloud-based, on demand business English learning, assessment and performance support software \$90m.	US
	Investment in NOOK Media, LLC, a new company consisting of Barnes & Noble's digital businesses including its NOOK e-reader and tablets, the NOOK digital bookstore and its 674 college bookstores across America.	US
	A five per cent equity stake Barnes & Noble will own approximately 78.2 percent of NOOK Media and Microsoft will own approximately 16.8 percent. Subject to certain conditions, Pearson will earn the option to purchase up to an additional five percent ownership in NOOK Media. \$89.5 million	US
2013	Learning Catalytics™, an advanced, cloud-based learning analytics and assessment system - amount?	US
	Partnership with Makerversity, a making and learning start-up in London, to introduce "The Pearson Lab" - a classroom of the future	UK
	Tutor vista – amount?	India
2014	Partnership with 1871 - entrepreneurial hub for digital start-ups partnership with social network for language learning, busuu.self-testing through the launch of a new affordable online test, gSET by Pearson English	US

## 2. History of Changes to English Higher Education Policy from HEFCE (2011)

1963	<b>Robbins Report</b> recommends substantial expansion in higher education. The principles and recommendations of the Robbins Report formed the basis for the development of the university sector for subsequent years. The report anticipated that by 1980 most higher education would be provided by universities or teacher training institutions.
1988	Education Reform Act creates the Polytechnics and Colleges Funding Council (PCFC) and the Universities Funding Council (UFC). The PCFC funded over 50 polytechnics and colleges previously funded by local education authorities. The UFC funded all 52 universities in the UK. Both Councils were non-departmental public bodies with a high degree of autonomy and an 'arms-length' relationship with the then Department of Education and Science
1992	<b>Further and Higher Education Act</b> creates new funding councils for the UK, including HEFCE, and abolishes the division between universities and polytechnics.
1997	<b>National Committee of Inquiry into Higher Education (the Dearing Report)</b> . The first fundamental review of higher education since the Robbins Report of 1963, its key recommendations included: changes in institutional and student funding/further expansion/a framework for qualifications/ support for an interdisciplinary arts and humanities research council
1997	<b>The Quality Assurance Agency for Higher Education (QAA)</b> is established to provide an integrated quality assurance service for UK higher education
1998	Teaching and Higher Education Act introduces measures to change financial support for students, including: <ul style="list-style-type: none"> <li>• tuition fees to be paid by all except the poorest students</li> <li>• the replacement of the maintenance grant for living expenses with loans</li> <li>• the availability of a supplementary hardship loan</li> <li>• bursaries for students entering teacher training or health and social care courses.</li> </ul>
1999	<b>White Paper 'Learning to succeed'</b> proposes a new structure for post-16 education and training.
2002-03	<b>Roberts Review</b> of research assessment recommends revising the RAE with a new method for assessing the quality of research. The new RAE process is then announced in February 2004.
2004	Higher Education Act takes forward the proposals in the 2003 White Paper 'The Future of Higher Education' with the aim of widening access to HEIs and helping them remain competitive in the world economy. Measures include: <ul style="list-style-type: none"> <li>the introduction of variable tuition fees</li> <li>creation of the Office for Fair Access and Arts and Humanities Research Council</li> <li>the re-introduction of maintenance grants for students from lower-income households</li> </ul>
2005	<b>National Student Survey begins</b>
2006	Government announces that the RAE will be replaced after 2008 with a new assessment system. The following year initial proposals are published for the Research Excellence Framework.
2010	<b>Browne Review</b> recommends major changes to higher education in England, including a proposal that more funding should flow through students' tuition fee loans rather than through HEFCE. The aim is to increase quality by increasing competition between HEIs. This involves raising the cap on tuition fees to £9,000 and changing the system of loan repayments.
2011	White Paper ' <b>Students at the heart of the system</b> ' takes forward the Browne Review proposals.

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